



Comprehensive Annual Financial Report

**Fiscal Year Ended
June 30, 2007**

**Prepared by:
Business Office
Paul A. Soma, CPA, CFO
Traverse City Area Public Schools**

**TRAVERSE CITY AREA PUBLIC SCHOOLS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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Paul Soma, CPA, CFO
Chief Financial Officer

Michele Greenan
Executive Assistant

October 12, 2007

To Board of Education and the Citizens
of the Traverse City Area Public School System,

State law requires that school districts publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited by a firm of licensed certified public accountants using generally accepted auditing standards as defined by the Comptroller of the United States in the publication *Government Auditing Standards*. These financial statements are required to be filed by November 15 of each year for the immediately preceding fiscal year.

Pursuant to this requirement, we are proud to issue this Comprehensive Annual Financial Report (CAFR) of the Traverse City Area Public Schools (the District) for the year ended June 30, 2007. A CAFR differs from traditional financial reports in that it is more comprehensive in scope and contains statistical information that includes financial and non-financial data presented over multiple (primarily ten) years. This is the third year our District has issued its financial report in this format. It is important to note that we as management are responsible for the financial information contained in this CAFR. We assume full responsibility for the completeness and reliability of all the information presented herein.

The format of this CAFR is designed to meet the needs of a broad spectrum of readers of financial reports and is divided into three major sections:

- **Introductory section** – The introductory section introduces the reader to the report and includes this transmittal letter, the organizational chart of the District, and a list of Trustees elected to the Board of Education and other officials of the District, and the prior year CAFR Certificate of Excellence.
- **Financial section** – The financial section consists of the independent auditors' report, management's discussion and analysis, the basic financial statements, and combining and individual fund statements and schedules.
- **Statistical section** – The statistical section contains financial and other information that differ from financial statements in that they present accounting and non-accounting data, cover several years, and are designed to reflect social and economic data and financial and fiscal trends that help the reader gain a more thorough understanding of the District as a whole.

This transmittal letter is designed to introduce the reader to the District by providing high-level information of the District and the environment in which it exists. This transmittal letter should be read in conjunction with Management's Discussion and Analysis presented in the financial section of the CAFR.

District Profile and Current Initiatives

The District's history dates back to 1853 when it was first organized as an "ungraded" school system that served approximately 3 square miles. Through the years, the District grew through numerous annexations, most of which took place from 1956 through 1979, to encompass its current size of approximately 300 square miles. In 1979, the board of education changed the District's name from the School District of Traverse City to the Traverse City Area Public Schools. The District currently serves over 10,500 students.

The District is organized under Section 380.401 of the Revised School Code of Michigan. Its purpose is to educate those students who reside within its borders and any students outside its borders who choose to attend the District through the "schools of choice" program. To accomplish this purpose, as of September 1, 2007, the District operates 16 elementary schools, two junior high schools, two traditional senior high schools, and an alternative high school. To meet the needs of its parents and students, the District offers a number of educational options including traditional K-12 education, Montessori curriculum, gifted and talented programming, all day everyday Kindergarten programming, and special education programs. On an ancillary basis, the District also offers pre-school and before and after school "latchkey" type programs to meet the wide variety of needs of the District's parents. The District consistently performs above state-wide and regional averages in terms of test scores and is nationally and internationally known for its extraordinary fine and performing arts programs.

The District is located in the northwest corner of Michigan's lower peninsula and, as noted above, covers approximately 300 square miles. The area is known for its beautiful geography with numerous lakes and hills and abundant farm and otherwise undeveloped land. The most notable aspect of the District's geography is that it surrounds Grand Traverse Bay, which is a well defined bay with a 20 mile peninsula dividing its east and west side (appropriately named East Bay and West Bay). This area is very recognizable on any Michigan map.

The most recent statistics published in April of 2007 (based on June 30, 2006 data) by the Michigan Department of Education in their bulletin 1014 "Michigan Public School Districts ranked by Selected Financial Data" ranked the District as the 21st largest out of 768 school districts in the state of Michigan in terms of student population. Under the school funding system established in Michigan in 1994, schools are funded on a per-pupil "foundation" basis. The Traverse City Area Public School District operates on what is known as the "base" (lowest) foundation per student, which was \$7,085 in fiscal 2007. The District ranks 574th in total general fund revenues per student of \$7,779, which includes state categorical and federal program revenue in addition to the base foundation allowance. Spending priorities can be seen in the chart below that shows the District focuses its limited resources on instruction (400th in the state for basic programs) and instructional support (265th), and less resources on business and administration (547th).

		<u>Per Pupil</u>	<u>State Rank</u>
General fund revenues	- All sources	\$ 7,779	574 th
General fund expenditures	- Basic programs	3,691	400 th
	- Added needs	784	457 th
	- Instructional support	674	265 th
	- Business and administration	917	547 th
	- Operation and maintenance	789	475 th
	- Total	7,585	497 th

Data such as that noted above helps show our stakeholders that the limited resources available to us are directed properly. Additionally, in spite of the tough economic climate faced by many schools in Michigan, our District has the honor of being rated “AA-“ by Standard and Poor’s and “Aa3” by Moody’s Investor Services. Such high ratings serve as independent verification of the District’s commitment to fiscal responsibility.

As noted above, the District takes fiscal responsibility and planning seriously. To this end we have incorporated multi-year budgeting and forecasting into the management of our operations. As a result of this planning, the District has been able to deal with the downturn in the economy and the lack of state funding increases, coupled with double digit increases in health and retirement benefits and utility costs, as effectively as possible. Budget reductions have been made in almost every department and staffing levels have been decreased through attrition. The most notable change over the past three years, however, is the consolidation of elementary schools through the closing of three buildings. These closings were necessitated by a slowly declining student population at the elementary level and by the realities of the challenging funding situation noted above.

In spite of the numerous reductions made by the District in the recent past, the trend of a slowly declining enrollment and unstable State funding has continued. Additionally, the State of Michigan recently increased the graduation requirements for all students in Michigan with the intent of providing a more rigorous and relevant education. The combined trend of reduced resources and added state curriculum mandates led our District to undertake a long-range planning process during the 2007 fiscal year. The process went to great lengths to include community input to get a thorough understanding of public sentiment regarding the issues faced by the District, and the direction people would like to see TCAPS take. The process was driven by a 100-member steering committee made up of a cross section of our community including District employees, parents, students, and community and business leaders. The process included thorough analysis of our region’s demographics and their projected impact on our District, and focused on how to position our District to deliver the best education to all students in today’s global economy. As a result of this long-range plan, the District will be dramatically changing its structure beginning in the fall of 2008. Substantive changes resulting from this yearlong study include:

- Moving from a K-6, 7-9, 10-12 grade configuration to a more traditional K-5, 6-8, 9-12 grade configuration.
- Closing 3 elementary schools in order to maintain small class size and to avoid operating excess capacity.
- Relocating the Montessori program from its current location housed within one of our elementary schools to its own separate site.

These changes, while challenging, will set the stage for the District to continue to deliver its outstanding educational programming for years to come. The reduction of three elementary schools allows the district to focus its limited resources on classroom instruction as opposed to unnecessary overhead associated with open facilities.

In addition to the above noted long-range plan, the district is continuing its successful capital planning initiative that was started in 2004. Like many districts across the country, our District is saddled with an aging infrastructure and had gotten behind on major capital replacement schedules for educational equipment and buses. As experienced by many other districts, funds for the upkeep of infrastructure and for adequate replacement schedules were scarce. The plan put forward to the taxpayers of the District called for a structured, multi-year approach to dealing with the District's infrastructure problems. The main tenet of this plan was to ask taxpayers to allow the District to sell bonds over the years that would have the impact of keeping the millage rate for debt service consistent at 3.1 mills. In exchange for this, the District could sell \$42 million worth of bonds, in series over those ten years, which would provide funding to:

- Begin upgrading facilities, starting with elementary buildings
- Maintain technology standards and implement a fiber network district-wide
- Replace buses
- Replace certain educational and operational capital equipment

Furthermore, the District has agreed to sell the bonds in short (10 year) durations. This has the impact of keeping interest costs low and having bonds roll off debt schedules quickly. Additionally, as will be discussed later in this transmittal letter, the District has the benefit of existing in an area of rising property values. Low debt costs, short maturities, and a rapidly rising tax base allow the District leverage in relation to its debt millage.

The voters expressed their overwhelming satisfaction with this plan by passing the bond issue in 2004 by almost a 2-1 margin. Since then, work has been completed on two of the District's elementary buildings and work has begun on another to upgrade them to modern day standards. In order to accomplish this major reconstruction work, students are moved to one of our closed elementary buildings while that year long project is completed. The other aspects of the bond project noted are also progressing as scheduled.

It is the District's intention to continue to ask taxpayers to allow us to sell bonds that keep the tax rate at the same, and eventually lower, rate. The District situation is such that this type of plan will provide the means, over time, to upgrade all facilities and keep capital purchases current. Our original projections regarding the timing of such a request indicated that we would again need to ask taxpayers to authorize bonds in 2008 in order to keep the millage at 3.1. These projections were accurate and as such, the District will have a ballot question this November that continues the plan put forward in 2004. The intent is to keep the millage rate the same as it has been while infusing resources for much needed capital work throughout the District. The ballot proposal, if passed, will authorize the District to sell \$105 million worth of bonds over the next 10 years to essentially continue with the projects noted above. While the last issue focused solely on elementary reconstructs, this issue will include much needed work on the District's secondary facilities.

Internal Control Structure

The District makes internal financial control a priority. A comprehensive internal control framework has been designed to protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. The system of controls that has been established relies on a combination of sound internal control practices such as separation of critical duties, computerized budgetary spending controls on the financial accounting system, financial review by budgetary managers at the site, department, and district level, and reconciliations of bank accounts and liability accounts on a regular basis. As is sound general practice, the cost of instituting internal controls should not outweigh the benefits received from such controls. The control structure, therefore, is designed to provide reasonable, rather than absolute, assurance that the District's financial statements are free from material misstatements. Independent auditors review the District's internal control structure yearly. Because of internal controls, the District is able to assert that to the best of its knowledge and belief, this financial report is complete and reliable in all material respects.

Budgetary Control

The District adopts an annual budget for its funds, which acts as an initial operating plan for the year in accordance with the State of Michigan Uniform Budgeting and Accounting Act. This budget is established prior to the fiscal year beginning and is amended at various times throughout the year to reflect changes in expectations and assumptions. Major changes that lead to budget amendments include changes to assumptions for state revenue, student enrollment, staffing, and federal and state programs.

Annual appropriations lapse at year-end with the exception of those listed as a fund balance reserve. During June of each year, the District Superintendent, in conjunction with the Chief Financial Officer, present to the Board a proposed operating budget for the next fiscal year commencing on July 1st. This budget includes proposed expenditures and the means of financing them.

The District ensures budgets are not exceeded by establishing “appropriations” for individual budget managers. If a purchase order exceeds appropriations, that transaction will be denied and returned to the originator. Additionally, all large purchases (those in excess of \$5,000) must contain three informal competitive quotes and be approved on-line by the District purchasing manager. The Chief Financial Officer must approve any transaction over \$10,000. Finally, any transaction exceeding the State of Michigan threshold required for sealed bids (\$19,653 in fiscal 2007) must be formally approved by the Board of Education.

The level by which expenditures may not exceed appropriations has been determined by the State to be the function level. Recently, the state has noted a large number of districts in violation of this requirement and has stepped up enforcement of the requirements of the Uniform Budgeting and Accounting Act. Particularly, the state has noted districts whose final appropriations are in excess of Board approved amounts, and districts whose combined fund balance and revenues are not adequate to meet actual expenditures. Our District has always taken the requirements of this act very seriously and continues to adhere to these requirements.

The District’s 2007 fund balances and projected 2008 revenues are sufficient to meet the 2008 budget as presented to the public in June of 2007.

Cash Management and Investments

The District monitors cash flow on a monthly basis and prepares formal yearly cash flow projections each June as part of the budget adoption process. Board policy and state law govern investment of idle cash with the exception that the District’s policy is more restrictive than state law in that commercial paper, while legal from the state’s perspective, is not an authorized investment per the District’s policy. The District’s policy states, “The primary objectives, in order of priority, of investment activities shall be safety, liquidity, and yield.” The policy also calls for periodic (monthly) reports to the Board of Education indicating pertinent investment information such as account balances, market values, maturity dates, and yields. Authorized investments include bonds, bills, or notes of the United States; certificates of deposit issued by a state or nationally chartered bank; securities issued or guaranteed by agencies or instrumentalities of the United States; and mutual funds or investment pools that are composed entirely of investments legal for direct investment by a school district.

Risk Management

The District participates in large self-insurance pools of educational institutions for property and casualty insurance and workers’ compensation insurance. The District pays annual premiums into the pools under a retrospectively rated policy. These pools have built sufficient reserves to cover claims by all participating members and in fact, have built excess reserves that are returned to participating members annually based on favorable prior year experience. The pools purchase reinsurance coverage to cover catastrophic claims.

Unemployment compensation is handled on a cost of benefits reimbursement basis with the State of Michigan. Claims are monitored internally to ensure appropriateness. Any inappropriate claims are challenged aggressively to mitigate the District's financial exposure.

Independent Audit

This financial report has been subject to an audit conducted by the licensed Certified Public Accounting firm of Maner, Costerisan & Ellis, P.C. (MC&E). Management has certified to the firm that all records have been made available for their review and that management is not aware of any outstanding issues that would have a material impact on this report. MC&E has issued a unqualified opinion that the financial information contained in this CAFR accurately reflects the year-end condition of the District's financial condition.

Economic Condition and Outlook of Regional and Local Economy

Traverse City Area Public Schools is located in Northwestern Lower Michigan and is spread over Grand Traverse County and small portions of Benzie and Leelanau Counties. The economy of Northwest Lower Michigan is varied with a heavy reliance on service industries and health care. This is indicative of the region's reliance on tourism and the fact that it is an attractive area for retirees. A breakdown of the top ten private industry employers in Northwest Lower Michigan by industry is as follows:

<u>Industry</u>	<u>Employees</u>	<u>Percent of Total</u>
Food Services and Drinking Places	10,126	9.9
Hospitals	5,976	5.9
Ambulatory Health Care Services	5,525	5.4
Specialty Trade Contractors	5,224	5.1
Accommodation	4,873	4.8
Administrative and Support Services	4,671	4.6
Professional and Technical Services	4,141	4.1
Transportation Equipment Manufacturing	3,813	3.7
General Merchandise Stores	3,271	3.2
Food and Beverage Stores	3,248	3.2

Source: Annual Planning Information Report – Northwest Michigan Council of Governments
Prepared by: Michigan Department of Labor & Economic Growth

While Traverse City does not encompass all of Northwest Lower Michigan, the above noted employment statistics are generally reflective of the industry breakdown in the District's community.

Ironically, the same factors that make this area desirable from a quality of life standpoint and an attractive place to vacation to "get away from it all", can also be seen as impediments to traditional economic growth. The Traverse City Area is geographically located out of the way of any mainstream thoroughfare, and is therefore not an attractive place for major business operations that may require intra or interstate commerce. This, however, may bode well for this area in coming years as economies in general transition to the requirements of the "flat" world, which is based more on "knowledge" industries than on "manufacturing" or other traditional industries. Historically, compensation in the area lags state and national averages, while unemployment is below the state average but above national averages.

The region's overall population continues to grow. In fact, the region is projected to grow faster than the state and the rest of the country over the next fifteen years in terms of population. People who move to this area routinely do so for "quality of life" reasons. The fastest growing segment of the population in this area is made up of individuals in the age range of 30-39, 60-69, and 80 and older. It is interesting to note that growth in the older segments of this region's population does not translate into more students for our school system. In fact, while the population of older residents is expected to increase, the population of children between the ages of 10-19 is expected to decrease by 4.2% while those ages 0-9 is expected to increase only 2.4% over the next five years. (Source: *2007 Economic Forecast*, prepared by the Traverse City Area Chamber of Commerce).

This type of growth, i.e., growth in the older population, is a major factor driving this region's economy. As the population ages, it is expected that demand for medical services will continue to grow. Munson Medical Center is the region's largest employer. The medical services industry is expected to be one of the fastest growing industries in the region through 2010.

Tourism also plays a major role in this region's economy and will likely play a large role in the region's growth in the coming years. Mainstream attractions are increasingly looking to locate in Traverse City given its propensity to attract tourists. The Great Wolf Lodge is a prime example of this. Gaming, another activity that attracts tourists is also a major player in the area. Traverse Bay Entertainment, which specializes in gaming, is the region's third largest employer.

During fiscal year ended June 30, 2007, the region's top ten largest employers and number employed are as follows:

<u>Employer</u>	<u>Number Employed</u>
Munson Medical Center	2,221
Traverse City Area Public Schools	1,485
Traverse Bay Entertainment	1,200
Interlochen Center for the Arts	350 - 1,200
Nish-Nah-Bee	500 - 999
Grand Traverse Resort	600 - 900
Sara Lee Bakeries	640
Northwestern Michigan Community College	623
Traverse Bay Intermediate School District	600
Cherry Growers Inc.	225-600

One interesting factor to note about this District's economy is the rate of growth in the taxable value of property located in the District. Property values have grown at an average rate of 7.98% over the last six years. Taxable value of property located in the District over the last five years is as follows:

Ad Valorem Taxable Value Growth History

2000	2,365,143,734	
2001	2,572,799,390	8.78%
2002	2,769,516,266	7.65%
2003	2,945,993,996	6.37%
2004	3,171,765,562	7.66%
2005	3,416,865,364	7.73%
2006	3,753,717,574	9.86%

While this growth does not impact the general fund revenues of the District (as noted earlier, districts in Michigan are state funded institutions funded on a per-pupil foundation allowance), it does impact the District's ability to raise funds for infrastructure needs. This growth is one of the major factors involved in the District's long term infrastructure planning. As property values grow, the District is able to leverage more dollars at the same millage rate. The community has responded positively to this approach.

Award for Excellence in Financial Reporting

The Association of School Business Officials, International (ASBO) awarded a Certificate of Excellence in Financial Reporting to the District for its CAFR for the fiscal year ended June 30, 2006.

In order to be awarded a Certificate of Excellence, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to the program's standards. Such a report must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Excellence is valid for a period of one year only. We believe our current report continues to conform to the program's requirements, and are submitting it to ASBO to determine its eligibility for another certificate for the year ended June 30, 2007.

Acknowledgements

The preparation of this report could not have been accomplished without the hard work and dedication of the members of the business office. We would like to express appreciation to all the members of the business office for their assistance with this report and their commitment to the District throughout the year. You are truly an impressive staff! Special appreciation for the compilation of this report is expressed to Keena Tibbetts, Executive Assistant to the Superintendent, Michele Greenan, Executive Assistant to the CFO, Wes Souden, Director of Finance and Business Technology, Sandy Low, Finance Manager, and Christine Thomas, Accountant.

Finally, we express our gratitude to the Board of Education for their support of, and commitment to, the responsible financial management of the District.

Respectfully submitted,



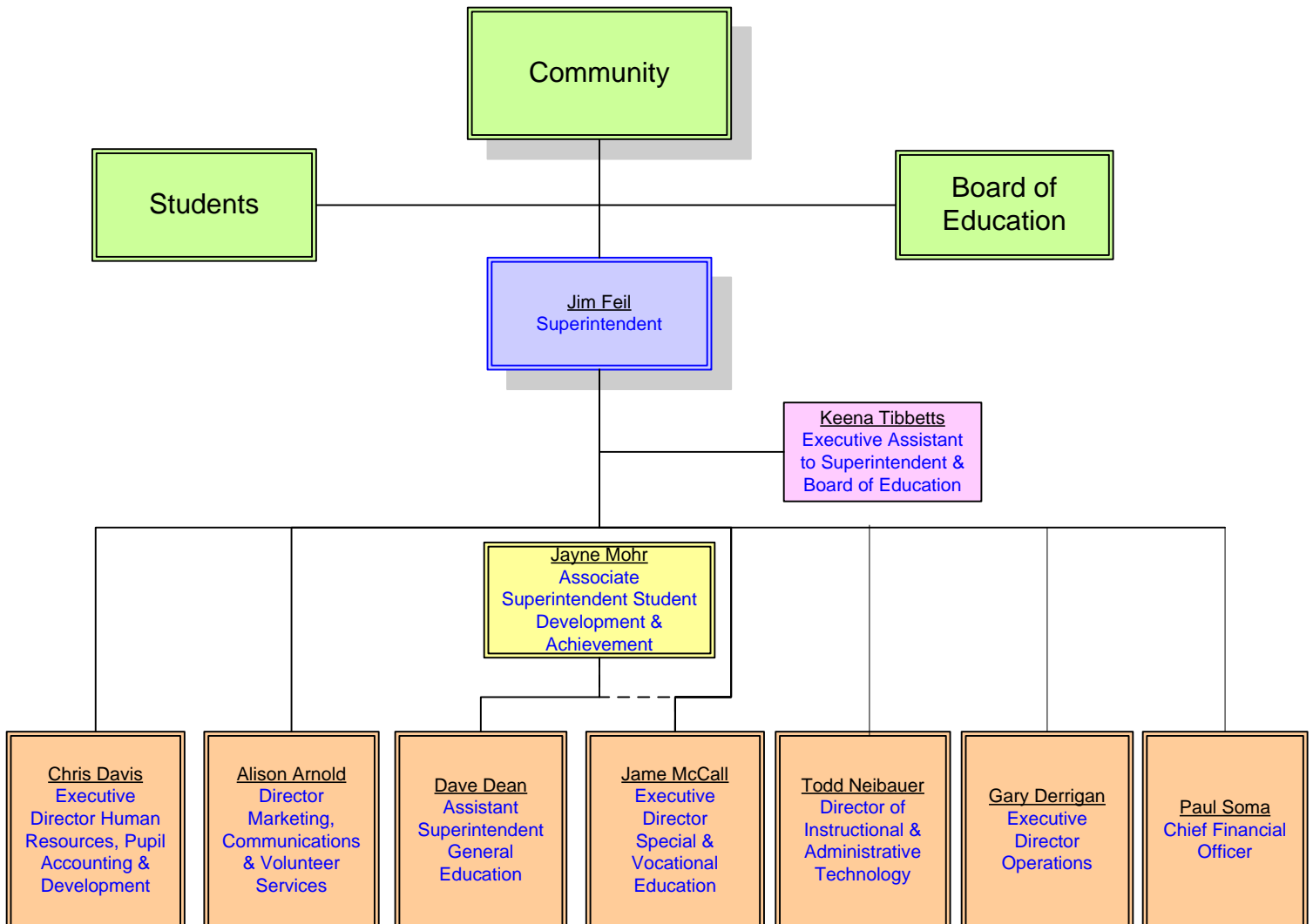
James G. Feil
Superintendent



Paul A. Soma, CPA
Chief Financial Officer



Organizational Chart



TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Principal Officials

Board of Education

Gerald P. Morris	President	December, 2008
Joel R. Casler	Vice President	December, 2007
Richard H. Crampton	Secretary	December, 2007
David W. Barr	Treasurer	December, 2009
Alice A. McNally	Trustee	December, 2010
Suzann E. Brooke	Trustee	December, 2009
Frederick H. Tank, Jr.	Trustee	December, 2010

District Executive Team

James G. Feil	Superintendent
Dr. Jayne H. Mohr	Associate Superintendent
Dr. David Dean	Assistant Superintendent
Paul A. Soma	Chief Financial Officer
Christine Davis	Executive Director of Human Resources & Labor Relations
Gary Derrigan	Executive Director of Operations
Alison Arnold	Director of Marketing, Communication & Volunteer Services
Todd Neibauer	Director of Instructional & Administrative Technology

Official Issuing Report

Paul A. Soma	Chief Financial Officer
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Department Issuing Report

Business Office

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

TRAVERSE CITY AREA PUBLIC SCHOOLS

For its Comprehensive Annual Financial Report (CAFR)

For the Fiscal Year Ended June 30, 2006

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Executive Director



Lamonte T. Lator
Bruce J. Dunn
Jeffrey C. Stevens
Linda I. Schirmer
Steven W. Scott
David M. Raeck
Robert E. Miller, Jr.
Steven B. Robbins
James E. Nyquist
James R. Dedyne

Timothy H. Adams
David B. Caldwell
Edward L. Williams, III
Timothy J. Orians
Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Traverse City Area Public Schools
Traverse City, Michigan

October 12, 2007

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Traverse City Area Public Schools, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Traverse City Area Public Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Traverse City Area Public Schools as of June 30, 2007, and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

October 12, 2007

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2007, on our consideration of Traverse City Area Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 16 - through 25 and page 60, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Traverse City Area Public Schools' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purpose of additional analysis and is not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements of Traverse City Area Public Schools. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in addition to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Mamer, Costeniser & Ellis, P.C." The signature is written in a cursive, flowing style.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Traverse City Area Public Schools' (District) comprehensive annual financial report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2007. Please read it in conjunction with the transmittal letter found on pages 2 - 10 and the District's financial statements, which immediately follow this analysis.

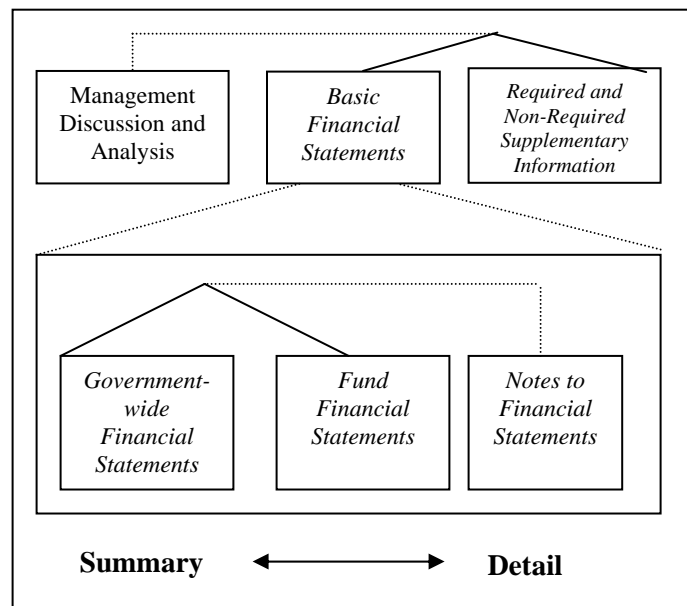
OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes required and non-required supplementary information.

Government-wide and fund financial statements present two different views of the District:

- The first two statements are *government-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the government-wide statements.
- The *governmental funds* statements tell how *basic* services like regular and special education were financed in the *short-term* as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others.

Figure A-1
Organization of the Financial
Section of the Traverse City Area
Public Schools' Comprehensive
Annual Financial Report



The notes to the financial statements explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. This section is followed by a section of non-required supplementary information. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

<p style="text-align: center;">Figure A-2 Major Features of Government-Wide and Fund Financial Statements</p>			
Scope	Government-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of fiduciary assets and liabilities * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term, Traverse City Area Public Schools' funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. The statement of activities accounts for all of the current year's revenues and expenses regardless of when cash is received or paid.

The two government-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or *position*. Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively. The relationship between revenues and expenses is the District's operating results. However, the District's goal is not simply to generate profits, as may be the case for a commercial entity. To assess the overall health of the District, one must consider many other factors, such as quality of education provided, safety of the students, enrollment trends and the physical condition of school buildings and other facilities, just to name a few. The statement of net assets and statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, community services, athletics, food services, and childcare. Unrestricted State Aid (foundation allowance revenue), property taxes, and state and federal grants finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law and by bond covenants. The District establishes other funds to help it control and manage money for particular purposes (e.g., Child Care Fund) or to show that it is properly using certain revenues (e.g., Food Services Fund).

The District has two kinds of funds:

- Governmental funds - All of the District's basic services are included in governmental funds, which generally focus on how cash (and assets that can be readily converted to cash) flow in and out and the balances left at year-end that are available for spending. These balances are reported using the modified accrual basis of accounting. The governmental fund statements provide a detailed short-term view of the operations of the District and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information with the governmental funds statements that explains the relationship (or differences) between them.
- Fiduciary funds - The District is the Trustee, or fiduciary, for assets that belong to others, such as the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes, and only by those to whom the assets belong. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Recall that the statement of net assets provides the perspective of the School District as a whole. Figure 1 provides a summary of the District's net assets as of June 30, 2007 and June 30, 2006. At the end of this fiscal year, the District's assets exceeded liabilities by \$69.8 million.

Figure 1
Traverse City Area Public Schools' Net Assets

	2007	2006	Change
Current and other assets	\$ 37,766,774	\$ 32,911,996	\$ 4,854,778
Capital assets	117,379,137	112,914,284	4,464,853
Total assets	155,145,911	145,826,280	9,319,631
Long-term debt outstanding	63,348,919	64,211,180	(862,261)
Current and other liabilities	21,985,633	20,391,257	1,594,376
Total liabilities	85,334,552	84,602,437	732,115
Net assets			
Invested in capital assets, net of related debt	54,971,707	48,229,845	6,741,862
Restricted	1,636,811	1,187,090	449,721
Unrestricted	13,202,841	11,806,908	1,395,933
Total net assets	\$ 69,811,359	\$ 61,223,843	\$ 8,587,516

- The largest portion of the District's net assets (79%) reflects its investment in capital assets (e.g., land, buildings and improvements, furniture, and equipment, net of accumulated depreciation), less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to students and hence these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.
- An additional portion (2%) of the District's net assets represents resources that are subject to external restrictions on how they may be used. This entire balance is restricted for debt service.
- The remaining balance of unrestricted net assets (19%) may be used to meet the District's obligations for normal operations in its various funds.

The District is able to report positive balances in all three categories of net assets. Capital assets, net of related debt, increased primarily as a result of the District paying down debt associated with those assets in excess of depreciation expense, coupled with additional local revenues within the capital projects fund. Restricted assets increased slightly which is reflective of the fact that our debt levy, while consistent with the previous year at 3.1 mills, was levied against property values that had increased enough to provide funding that was slightly in excess of the amount needed to pay this past year's debt requirements. The increase in unrestricted net assets was the result of the District receiving additional per pupil funding and budget reductions.

Figure 2 shows the change in net assets of the District's government-wide activities for both fiscal years:

Figure 2
Changes in Traverse City Area Public Schools' Net Assets

	2007	2006	Change
REVENUES			
Program revenues:			
Charges for services	\$ 5,727,574	\$ 5,780,627	\$ (53,053)
Federal and state categorical grants	6,911,725	7,269,914	(358,189)
General revenues:			
Property taxes	42,479,858	38,818,094	3,661,764
State aid - unrestricted	46,402,687	46,792,354	(389,667)
Other	6,114,923	4,459,780	1,655,143
Total revenues	<u>107,636,767</u>	<u>103,120,769</u>	<u>4,515,998</u>
EXPENSES			
Instruction	50,700,895	50,833,381	(132,486)
Support services	33,148,544	34,114,152	(965,608)
Community services	2,175,103	1,987,106	187,997
Food services	4,685,208	4,556,915	128,293
Athletics	1,558,812	1,597,833	(39,021)
Outgoing transfers and other transfers	528,327	410,542	117,785
Interest on long-term debt	3,014,163	3,183,246	(169,083)
Unallocated depreciation	3,238,199	3,402,931	(164,732)
Total expenses	<u>99,049,251</u>	<u>100,086,106</u>	<u>(1,036,855)</u>
Increase in net assets	<u>\$ 8,587,516</u>	<u>\$ 3,034,663</u>	<u>\$ 5,552,853</u>

As shown in Figure 1, the District's net assets were \$69,811,359 at June 30, 2007, which is a 14.0% improvement over the prior year. This increase, as discussed above, is primarily the result of the District paying down debt faster than depreciation expense. Additionally, the District's capital project funds reflect local revenues of \$321,862 from interest revenue, which has the effect of increasing net assets related to capital (net of related debt). Unrestricted assets increased primarily from general fund operations for the fiscal year ended June 30, 2007.

Total revenues increased by \$4.5 million, while total expenses decreased by \$1.0 million. The increase in revenues was the result of a \$210 increase in the state determined "per-pupil" foundation grant that accounts for the majority of the District's general operating revenues, a new "equity payment" from the state given to low funded districts like ourselves in the amount of \$23 per pupil, and with increases in other revenues (primarily interest income and a one time payment from the local Intermediate School District). The state funding formula calls for the increase in per pupil funding to be paid by two sources, local "non-homestead" property taxes and unrestricted state aid. Whatever is not paid for by the local tax is made up for by the state as long as the District maintains a certain state determined millage rate. Because of this funding mechanism, even though we received an increase of \$210 in unrestricted state aid, an increase in property values more than made up for the dollars needed to fund this increase. As a result, our "property tax" revenue increased significantly while state unrestricted funding actually decreased.

The approximate \$1.0 million decrease in total expenses is primarily the result of strategic budget reduction initiatives implemented in this fiscal year. With the State of Michigan mired in a budget crisis, funding for schools has been on very unstable ground. In fact, the State threatened to cut school funding right up until the fiscal year end, before finally deciding to “fix” their deficit through the use of one-time accounting tricks and other irresponsible budget gimmicks in order to avoid a year-end school funding prororation. It is because of the uncertain funding at the State level that TCAPS must continue its conservative budgetary practices and reduce budgets whenever it is prudent and practical to do so. While cuts instituted by the District were actually closer to \$2 million, ultimately increasing pension and health care costs mitigated some of these savings. It is obvious from the schedule above that the District focused its cuts on the support service areas, which saw a total reduction of \$965,608 or 2.83%, and limited the reduction of direct instruction, which saw a decrease of only \$132,486 or approximately .26%.

DISTRICT GOVERNMENTAL ACTIVITIES

As noted earlier, the District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the District is being accountable for the resources the state, taxpayers and others provide to it and may provide more insight into the District’s overall financial health.

As the District completed this year, the governmental funds reported a combined fund balance of \$27,442,413, which is a \$5,488,816 increase from the prior year. The majority of this increase (\$3.6 million) is the result of capital revenues in excess of expenditures in the major capital projects funds. The majority of these revenues were the result of the sale of \$10 million worth of bonds that provided the district with the resources necessary to continue its long term capital projects plan. The remaining increase in the combined fund balance is the result of an increase of approximately \$1.2 million in the general fund and approximately \$656,000 in all other non-major governmental funds. Highlights of these items include:

- Major capital projects fund balances, in total, increased by \$3,618,386. This increase is the result of a \$10 million bond sale, which is offset by capital expenditures that total \$6.6 million. The expenditures were the result of the District essentially completing reconstruction of one elementary school, purchasing buses, the continued installation of a government-wide fiber and wireless project for technology, purchasing technology and other instruction equipment, and purchasing certain operational equipment. These projects were funded by the sale of bonds in 2004 and 2005, in addition to the 2007 sale noted above that were voted on and approved by taxpayers in 2001 and 2004.
- The general fund balance increased by \$1,214,144. This is the result of a \$210 increase in per pupil funding, a \$23 per pupil equity payment, and budget reductions of approximately \$2 million instituted in this fiscal year. This year-end result is indicative of the District’s prudent financial management in the face of uncertain State funding.
- Minor increases in other non-major funds of \$656,286 make up the rest of the increase in the District’s combined fund balances.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revises its budget as it attempts to deal with numerous changes in expected revenues and expenditures. Under normal circumstances, the District adjusts its budget to reflect a wide variety of federal and state programs, many of which are not finalized until well after the District's original budget is required to be adopted. Additionally, the State of Michigan has faced a severe economic downturn in recent years and generally has not adopted its state school aid budget until well after the District budget is required to be adopted. Given that the majority of District revenues come in the form of state-aid, this situation has presented major challenges to schools in Michigan as they prepare their original budgets. We are no exception in this regard. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The District amended its budget on two occasions this fiscal year.

A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Highlights of changes to the general fund original budget as compared to the final budget were as follows:

- Budgeted revenues were increased \$2,616,034, which was primarily the result of recognizing additional federal and state program revenues, recognizing an increase in interest income expectations, recognizing additional revenues from the intermediate school district and other incoming transfers, and recognizing an increase of 35 students above our original projections. The impact of these changes from our original budget to our amended budget is as follows:
 1. Recognition of all restricted Federal and State programs into our budget accounted for approximately \$1.2 million of the noted increase.
 2. Increase in student count of 35 students over our original estimate resulted in approximately \$250,000 of the noted increase.
 3. Increases in incoming transfers/other accounted for approximately \$1 million of the noted increase. This increase was the result of recognizing billings for shared services with other local schools, an increase in profits transferred from our childcare programs to the general fund, and another one-time allocation from our ISD to supplement District revenues.
 4. Interest income expectations increased by \$150,000 during the year as a result of the interest rate environment of this year.
- Minor increases in facility rental income and miscellaneous other local revenue accounted for the remainder of the budget adjustments to revenues.
- Budgeted expenditures were increased by approximately \$800,000, which was primarily the result of recognizing additional federal and state programs during the year. Approximately \$300,000 of this increase was attributable to direct instruction, \$300,000 to Community Services, while the remaining approximately \$200,000 was attributable to support functions. The impact of these changes from our original budget to our amended budget is as follows:
 1. Instructional support increased by approximately \$300,000, which was a direct result of fully recognizing state and federal programs into the budget.

2. Transportation increased by approximately \$300,000, which was caused by the sharp increase in diesel prices. This increase, however, was offset by a similar sized decrease in the operations budget, which was partially the result of recognizing a lower price for natural gas than what was in the original budget, and implementing reductions to the custodial operations.
3. The Community Services budget increased by approximately \$300,000, which is the result of new federal, and state programming initiatives.
4. Minor fluctuations in other functions account for the remaining budget adjustments that occurred between the original and final budgets.

Highlights of the final amendment in comparison to actual results included the following:

- The \$1,018,276 negative revenue variance is the result of deferring approximately \$1.1 million more than budgeted in federal and state restricted revenues. This variance is an expected outcome in that federal programs are budgeted in their full amounts and any remaining program budget is “carried over” to the next fiscal year. The District does not lose these funds. Other variances in General Fund revenue were minor and immaterial, and make up the rest of the noted variance.
- The \$2,872,558 positive variance in expenditures is the result of not spending all federal and state program dollars (which, as stated above, are carried over to the next year), coupled with a positive general fund variance in general fund unrestricted expenditure line items. Specifically:
 1. Approximately \$1.1 million of the positive variance is the result of federal and state program carryovers. These restricted grants are budgeted at their full amount during our fiscal year. Because most of these grants do not have the same fiscal year as our District, any amount remaining at June 30 is simply rolled over into our new fiscal year. Approximately \$1 million of the fluctuation noted in Instruction and Instructional staff support functions is due to federal and state programming carryover.
 2. The positive variance of approximately \$500,000 in operations and maintenance is the result of not filling certain open positions, and positive variances in utility usage and cost estimates.
 3. Another \$250,000 of the instructional variance is the result of contingency planning by the District. As noted elsewhere in this report, the state gave certain low funded districts an additional \$23 “equity payment” per pupil in 2007. Given the tough economic times facing schools and the constant threat from the State that this money may be taken back at some point during the year, the District held these funds in a contingency account. The State did not take back these funds and they have since been carried over to the new fiscal year to be used for new educational programming for the District.
 4. The remaining positive budget variance of approximately \$1,000,000 represents approximately 1.1% of general fund budgeted expenditures. This variance is consistent with our District’s conservative spending practices. The District makes a concerted effort to stretch dollars throughout the year by spending for only what is needed and being very cautious in regard to replacing staff. This variance is also reflective of our adherence to the Michigan Uniform Budget and Accounting Act, which makes it a violation if school districts in Michigan overspend their formally adopted budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had \$177.9 million invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents an increase (including additions and disposals) of approximately \$8.6 million or 5.0%, from last year and is a result of the District's continuing bond projects, which are funded with proceeds from fiscal 2005 and 2007 bond sales. An increase of \$4.2 million in accumulated depreciation offset the noted \$8.6 million increase in capital assets resulting in an increase in total non-current capital net assets of \$4.4 million, from approximately \$112.7 million to \$117.1 million (3.9%).

	2007		2006	
	Cost	Accumulated depreciation	Net book value	Net book value
Land	\$ 3,171,600	\$	\$ 3,171,600	\$ 3,171,600
Construction in progress	6,282,565		6,282,565	4,079,359
Land improvements	1,867,569	661,532	1,206,037	1,065,684
Building and additions	146,519,371	47,224,615	99,294,756	97,816,581
Transportation equipment	7,877,579	5,705,207	2,172,372	2,243,049
Machinery and equipment	12,134,439	7,130,280	5,004,159	4,327,144
Total	<u>\$ 177,853,123</u>	<u>\$ 60,721,634</u>	<u>\$ 117,131,489</u>	<u>\$ 112,703,417</u>

This year's additions of \$9,091,018 included equipment, technology, building renovations, land improvements, and buses. More detailed information regarding the District's capital asset activity can be found in Note 4 to the basic financial statements included immediately following this analysis.

Long-Term Debt

At year-end the District had \$72,905,527 in general and limited obligation bonds and \$1,500,465 in other long-term debt outstanding. The combined total reflects an increase of 1.7 percent from last year. This change was primarily the result of the District issuing new bonds in the current year in excess of the bonds that were paid down.

More detailed information about the District's long-term liabilities is presented in Note 5 to the basic financial statements.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of six existing circumstances that could significantly affect the financial health of our District in the future:

- State funding sources continue to be on unstable ground, as the Michigan economy, which is highly dependent on the success of the domestic automotive industry, has not experienced the economic recovery currently underway in the rest of the country. Michigan is currently plagued by one of the largest unemployment rates in the country. The state has instituted mid-year reductions to school aid in two of the last five years and has not yet developed a budget for the current fiscal year. This means that although school districts across the State of Michigan have begun their fiscal year, there is still no word from the State as to how much revenue schools can expect for operations. This is, at best, a very tenuous situation for schools to be in.

- The Michigan Public School Employee Retirement System is facing a large unfunded liability. While not yet officially published, initial estimates indicate that when the Retirement system is forced to calculate and report the true magnitude of its unfunded obligations in response to GASB 45, the amount will be in excess of \$15 billion. The retirement system currently charges districts 16.72% of payroll costs to fund the pension system. This amount is expected to climb dramatically in the near future unless structural changes are made to the system by the State legislature.
- The cost increases in health insurance premiums continue to be a serious problem for this District and our employees.
- In response to many factors, including but not limited to new State adopted graduation requirements, growth in some of the District's offerings, a decline in overall student enrollment, geographical shifts in demographics of our students, and cost increases associated with building occupancy, the District undertook a year long study this past year with the primary objective of developing a long-range plan to address certain issues. The results of this plan included reconfiguring the District from a k-6, 7-9, 10-12 grade configuration to a more traditional k-5, 6-8, 9-12 grade configuration. Additionally, as a cost saving measure, the District decided to close three elementary buildings and move the Montessori program to its own separate building. Planning for this major restructuring will take place throughout the 2008 fiscal year with implementation planned for the 2009 school year. It is expected that these changes will have a positive impact on student achievement and continue to allow the District to operate in a fiscally responsible/sound manner.
- The District, as part of its on going capital planning, will be seeking authorization from voters to sell \$105 million worth of bonds. The bonds will be sold in series over a 10 year period and will provide funding for building infrastructure improvements, bus replacements, technology and other educational and operational equipment replacement. The net effect on our community will be a millage rate that does not increase from its current rate of 3.1 mills as we continue to pay down old debt and the taxable value of our district continues to grow. Passage of this millage will have a very positive impact on the District's operations while failure would present dramatic challenges. The TCAPS community supported a similar bond issue in 2004 by a margin of approximately two to one.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office, Traverse City Area Public Schools, 412 Webster Street, Traverse City, MI 49685. We can be reached by phone at (231) 933-1735.

BASIC FINANCIAL STATEMENTS

TRAVERSE CITY AREA PUBLIC SCHOOLS
STATEMENT OF NET ASSETS
JUNE 30, 2007

ASSETS	<u>Governmental activities</u>
CURRENT ASSETS:	
Cash	\$ 13,397,598
Investments	3,424,101
Receivables:	
Accounts receivable	827,686
Interest receivable	208,014
Taxes receivable	200,583
Due from other governmental units	8,249,936
Inventories	196,821
Prepaid expenditures	139,800
Restricted cash - capital projects	2,648,899
Restricted investments - capital projects	<u>8,473,336</u>
TOTAL CURRENT ASSETS	<u>37,766,774</u>
NONCURRENT ASSETS:	
Deferred charges, net of amortization	247,648
Capital assets	177,853,123
Less accumulated depreciation	<u>(60,721,634)</u>
TOTAL NONCURRENT ASSETS	<u>117,379,137</u>
TOTAL ASSETS	<u><u>\$ 155,145,911</u></u>

The notes to the basic financial statements
are an integral part of this statement.

	Governmental activities
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts payable	\$ 1,366,528
Accrued salaries and related items	7,867,112
Accrued interest	689,565
Deferred revenue	1,005,355
Current portion of long-term obligations	10,560,771
Current portion of termination benefits	496,302
TOTAL CURRENT LIABILITIES	21,985,633
NONCURRENT LIABILITIES:	
Noncurrent portion of long-term obligations	62,344,756
Noncurrent portion of compensated absences and termination benefits	1,004,163
TOTAL NONCURRENT LIABILITIES	63,348,919
TOTAL LIABILITIES	85,334,552
NET ASSETS:	
Invested in capital assets, net of related debt	54,971,707
Restricted for debt service	1,636,811
Unrestricted	13,202,841
TOTAL NET ASSETS	69,811,359
TOTAL LIABILITIES AND NET ASSETS	\$ 155,145,911

The notes to the basic financial statements
are an integral part of this statement.

TRAVERSE CITY AREA PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense)
				revenue and changes in net assets
Governmental activities:				
Instruction	\$ 50,700,895	\$ 23,705	\$ 2,807,508	\$ (47,869,682)
Support services	33,148,544	847,653	1,554,027	(30,746,864)
Community services	2,175,103	1,597,575	585,201	7,673
Outgoing transfers and other transactions	528,327		287,012	(241,315)
Food services	4,685,208	3,012,909	1,677,977	5,678
Athletics	1,558,812	245,732		(1,313,080)
Interest on long-term debt	3,014,163			(3,014,163)
Unallocated depreciation	3,238,199			(3,238,199)
Total governmental activities	<u>\$ 99,049,251</u>	<u>\$ 5,727,574</u>	<u>\$ 6,911,725</u>	(86,409,952)
General revenues:				
Property taxes, levied for general purposes				30,786,496
Property taxes, levied for debt service				11,693,362
Investment earnings				1,874,303
State sources				46,402,687
Traverse Bay Area ISD				3,561,229
Other				679,391
Total general revenues				<u>94,997,468</u>
CHANGE IN NET ASSETS				8,587,516
NET ASSETS, beginning of year				<u>61,223,843</u>
NET ASSETS, end of year				\$ 69,811,359

The notes to the basic financial statements are an integral part of this statement.

**TRAVERSE CITY AREA PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

	General fund	2004 Capital projects fund	2005 Capital projects fund	2007 Capital projects fund	Other nonmajor governmental funds	Total governmental funds
ASSETS						
ASSETS:						
Cash and cash equivalents	\$ 9,293,302	\$	\$	\$	\$ 4,104,296	\$ 13,397,598
Investments	3,424,101					3,424,101
Receivables:						
Property taxes receivable	172,185				28,398	200,583
Accounts receivable	764,750				62,936	827,686
Interest	139,393		5,198	63,423		208,014
Due from other governmental units	8,049,956				199,980	8,249,936
Due from other funds	79,642		4,530		415,836	500,008
Inventories	57,863				138,958	196,821
Prepaid expenditures	139,800					139,800
Restricted cash and cash equivalents		326,854	941,006	1,381,039		2,648,899
Restricted investments				8,473,336		8,473,336
TOTAL ASSETS	<u>\$ 22,120,992</u>	<u>\$ 326,854</u>	<u>\$ 950,734</u>	<u>\$ 9,917,798</u>	<u>\$ 4,950,404</u>	<u>\$ 38,266,782</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts payable	\$ 525,622	\$ 261,324	\$ 60,549	\$ 297,029	\$ 222,004	\$ 1,366,528
Accrued salaries and related items	7,867,112					7,867,112
Due to other funds	206,082	45,052		33,335	215,539	500,008
Deferred revenue	898,469				192,252	1,090,721
TOTAL LIABILITIES	<u>9,497,285</u>	<u>306,376</u>	<u>60,549</u>	<u>330,364</u>	<u>629,795</u>	<u>10,824,369</u>

The notes to the basic financial statements
are an integral part of this statement.

	General fund	2004 Capital projects fund	2005 Capital projects fund	2007 Capital projects fund	Other nonmajor governmental funds	Total governmental funds
FUND BALANCES:						
Reserved for inventories	\$ 57,863	\$	\$	\$	\$ 138,958	\$ 196,821
Reserved for prepaid expenditures	139,800					139,800
Reserved for debt service					2,326,376	2,326,376
Reserved for capital outlay		20,478	890,185	9,587,434		10,498,097
Unreserved:						
Designated for curriculum development initiative	270,169					270,169
Designated for building carryover	420,454					420,454
Designated for department carryover	289,304					289,304
Designated for severance pay	1,500,465					1,500,465
Designated for budget stabilization	1,600,000					1,600,000
Undesignated	8,345,652				1,855,275	10,200,927
TOTAL FUND BALANCES	<u>12,623,707</u>	<u>20,478</u>	<u>890,185</u>	<u>9,587,434</u>	<u>4,320,609</u>	<u>27,442,413</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 22,120,992</u>	<u>\$ 326,854</u>	<u>\$ 950,734</u>	<u>\$ 9,917,798</u>	<u>\$ 4,950,404</u>	<u>\$ 38,266,782</u>
Total governmental fund balances						\$ 27,442,413
Amounts reported for governmental activities in the statement of net assets are different because:						
Value of amortized bond issuance costs					\$ 333,506	
Accumulated amortization					<u>(85,858)</u>	247,648
Capital assets used in governmental activities are not financial resources and are not reported in the funds						
The cost of the capital assets is					177,853,123	
Accumulated depreciation is					<u>(60,721,634)</u>	117,131,489
Long-term liabilities are not due and payable in the current period and are not reported in the funds:						
Bonds payable						(72,905,527)
Compensated absences and termination benefits						(1,500,465)
Accrued interest is not included as a liability in government funds, it is recorded when paid						(689,565)
Deferred revenue at June 30, 2007, expected to be collected after September 1, 2007						<u>85,366</u>
Net assets of governmental activities						<u>\$ 69,811,359</u>

The notes to the basic financial statements
are an integral part of this statement.

TRAVERSE CITY AREA PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	General fund	2004 Capital projects fund	2005 Capital projects fund	2007 Capital projects fund	Other nonmajor governmental funds	Total governmental funds
REVENUES:						
Local sources:						
Property taxes	\$ 30,797,050	\$	\$	\$	\$ 11,694,772	\$ 42,491,822
Tuition	23,430				1,560,133	1,583,563
Investment earnings	1,199,554	38,959	171,164	111,739	352,886	1,874,302
Food sales, athletics, and community service					2,757,157	2,757,157
Other	1,431,069				2,326,792	3,757,861
Total local sources	33,451,103	38,959	171,164	111,739	18,691,740	52,464,705
State sources	48,298,692				141,092	48,439,784
Federal sources	2,424,489				2,214,622	4,639,111
Incoming transfers and other	2,070,701					2,070,701
Total revenues	86,244,985	38,959	171,164	111,739	21,047,454	107,614,301
EXPENDITURES:						
Current:						
Instruction	50,739,011					50,739,011
Supporting services	32,143,323					32,143,323
Food service activities					4,664,466	4,664,466
Athletic activities					1,499,902	1,499,902
Community service activities	504,123				1,709,973	2,214,096
Outgoing transfers and other transactions	49,064				279,071	328,135
Capital outlay		1,509,159	4,670,012	424,864	2,278,170	8,882,205
Debt service:						
Principal repayment					8,615,860	8,615,860
Interest					2,934,039	2,934,039
Bond issuance costs				69,952		69,952
Other					39,437	39,437
Total expenditures	83,435,521	1,509,159	4,670,012	494,816	22,020,918	112,130,426

The notes to the basic financial statements
are an integral part of this statement.

	General fund	2004 Capital projects fund	2005 Capital projects fund	2007 Capital projects fund	Other nonmajor governmental funds	Total governmental funds
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 2,809,464</u>	<u>\$ (1,470,200)</u>	<u>\$ (4,498,848)</u>	<u>\$ (383,077)</u>	<u>\$ (973,464)</u>	<u>\$ (4,516,125)</u>
OTHER FINANCING SOURCES (USES):						
Proceeds from issuance of bonds				9,870,000		9,870,000
Bond Premium				100,511		100,511
Proceeds from sale of capital assets					34,430	34,430
Operating transfers from other funds	202,810				1,809,303	2,012,113
Operating transfers to other funds	<u>(1,798,130)</u>				<u>(213,983)</u>	<u>(2,012,113)</u>
Total other financing sources (uses)	<u>(1,595,320)</u>			<u>9,970,511</u>	<u>1,629,750</u>	<u>10,004,941</u>
NET CHANGE IN FUND BALANCES	1,214,144	(1,470,200)	(4,498,848)	9,587,434	656,286	5,488,816
FUND BALANCES:						
Beginning of year	<u>11,409,563</u>	<u>1,490,678</u>	<u>5,389,033</u>		<u>3,664,323</u>	<u>21,953,597</u>
End of year	<u>\$ 12,623,707</u>	<u>\$ 20,478</u>	<u>\$ 890,185</u>	<u>\$ 9,587,434</u>	<u>\$ 4,320,609</u>	<u>\$ 27,442,413</u>

The notes to the basic financial statements
are an integral part of this statement.

**TRAVERSE CITY AREA PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007**

Net change in fund balances total governmental funds **\$ 5,488,816**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	(4,657,997)
Capital outlay	9,091,018
Loss on disposal of capital assets	(4,949)

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable, beginning of the year	609,441
Accrued interest payable, end of the year	(689,565)

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:

Proceeds from issuance of bonds	(9,870,000)
Payments on debt	8,615,860
Bond issuance costs	69,952
Premium on issuance of bonds	(100,511)
Amortization of bond issuance costs	(33,172)
Amortization of deferred loss on refunding	(66,516)
Amortization of bond premium	79,791

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:

Deferred revenue, beginning of the year	(97,330)
Deferred revenue, end of the year	85,366

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued compensated absences and termination benefits, beginning of the year	1,567,777
Accrued compensated absences and termination benefits, end of the year	(1,500,465)

Change in net assets of governmental activities **\$ 8,587,516**

**TRAVERSE CITY AREA PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2007**

**Agency
fund**

ASSETS:

Cash

\$ 936,501

LIABILITIES:

Due to student and other groups

\$ 936,501

The notes to the basic financial statements
are an integral part of this statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Traverse City Area Public Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The Traverse City Area Public Schools (the "District") is governed by the Traverse City Area Public Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Continued)

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds - Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund. Included are all transactions related to the approved current operating budget.

The *2004, 2005 and 2007 capital projects* fund accounts for the receipt of debt proceeds and the acquisition or construction of capital facilities or equipment held by the District.

The *capital projects funds* account for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

The capital projects funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of §1351a of the Revised School Code.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Concluded)

The following is a summary of the revenue and expenditures for the 2004, 2005 and 2007 school bonds' activity:

	<u>2004 bonds</u>	<u>2005 bonds</u>	<u>2007 bonds</u>
Revenue	<u>\$ 171,348</u>	<u>\$ 503,670</u>	<u>\$ 111,739</u>
Expenditures and transfers	<u>\$4,150,870</u>	<u>\$10,613,485</u>	<u>\$ 494,816</u>

The above revenue figures do not include original 2004, 2005 and 2007 school bond proceeds of \$4,000,000, \$11,000,000, and \$9,870,000, respectively.

Other Non-major Funds

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service, community services and athletic activities in the special revenue funds.

The *debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. The District maintains debt service funds for the 1997, 1998, 2001, QZAB, 2004, 2005, 2007, 2004 refunding and 2005 refunding bond issues.

The *capital projects funds* account for the receipt of debt proceeds and transfers from the general fund for the acquisition of fixed assets or construction of major capital projects.

Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2007, the foundation allowance was based on pupil membership counts taken in February and September of 2006.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)

State Revenue (Concluded)

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2006 to August 2007. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs.

State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

For the year ended June 30, 2007, approximately \$1,465,000 of non-cash transactions from the Michigan Department of Education (MDE) has been recorded as state aid revenue and pension expenditures as a result of a change in funding by the MDE.

D. Other Accounting Policies

1. Cash and cash equivalents include amounts in demand deposits and money market accounts.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40, *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2007, the District levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Mills</u>
General Fund - Non-homestead	18.0000
Debt service fund - Homestead and non-homestead	3.1000

3. Inventories and Prepaid Expenditures

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the special revenue funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Inventories for commodities are recorded as deferred revenue. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

4. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5 - 15 years

The District’s capitalization policy is to capitalize individual amounts exceeding \$5,000. Group purchases are evaluated on a case by case basis.

6. Compensated Absences

The District’s policies generally provide for granting vacation and sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

D. Other Accounting Policies (Concluded)

7. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Continued

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and major special revenue funds. All annual appropriations lapse at year end. Encumbrance accounting is employed in governmental funds. Significant encumbrances outstanding at year end, if any, are reported as reservations of fund balance because they will be re-appropriated in the subsequent year. There were no material outstanding encumbrances at year end.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general and major special revenue funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2007. The District does not consider these amendments to be significant.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Continued

NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2007 the District had the following investments:

Investment Type	Fair value	Weighted average maturity (years)	Standard & Poor's Rating	%
MILAF External Investment pool - MIMAX	\$ 2,277,222	0.0027	AAAm	19.14%
MBIA External Investment pool - CLASS	1,146,879	0.0027	AAA	9.64%
U.S. Agency Notes and Bonds	6,778,703	0.9134	AAA	56.98%
U.S. Treasury Notes	1,694,633	1.3055	AAA	14.24%
Total fair value	<u>\$ 11,897,437</u>			<u>100.0%</u>
Portfolio weighted average maturity		<u>0.7072</u>		

1 day maturity equals 0.0027, one year equals 1.00

The District voluntarily invests certain excess funds in external pooled investment funds, which included money market funds. The pooled investment funds utilized by the District are the Michigan Investment Liquid Asset Fund (MILAF), and the MBIA Class fund. These are external pooled investment funds of “qualified” investments for Michigan school districts. MILAF and MBIA are not regulated nor are they registered with the SEC. MILAF and MBIA report as of June 30, 2007, the fair value of the District’s investments is the same as the value of the pool shares.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District’s cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). The District does not allow direct investment in commercial paper or corporate bonds.

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District’s investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The District will take steps to ensure that no more than 40% of its funds are invested in the same investment pool or held by the same bank.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Continued

NOTE 3 - DEPOSITS AND INVESTMENTS (Concluded)

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2007, \$18,041,890 of the District's bank balance of \$18,541,890 was exposed to custodial credit risk because it was uninsured and uncollateralized. Interest bearing accounts and certificates of deposit are included in the above totals.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

At June 30, 2007, the carrying amount is as follows:

Deposits - including fiduciary funds of \$936,501	\$ 16,982,998
Investments	<u>11,897,437</u>
	<u><u>\$ 28,880,435</u></u>

The above amounts are reported in the financial statements as follows:

Cash Agency fund	\$ 936,501
Government wide:	
Cash	13,397,598
Restricted cash - capital projects	2,648,899
Investments	3,424,101
Restricted investments - capital projects	<u>8,473,336</u>
	<u><u>\$ 28,880,435</u></u>

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Continued

NOTE 4 - CAPITAL ASSETS

A summary of changes in the District's capital assets follows:

	Balance July 1, 2006	Additions	Reclassifications/ deletions	Balance June 30, 2007
Capital assets not being depreciated:				
Land	\$ 3,171,600	\$	\$	\$ 3,171,600
Construction in progress	4,079,359	6,495,350	4,292,144	6,282,565
	7,250,959	6,495,350	4,292,144	9,454,165
Capital assets being depreciated:				
Land improvements	1,644,821	222,748		1,867,569
Buildings and additions	142,065,411	4,453,960		146,519,371
Machinery and equipment	10,433,806	1,735,022	34,389	12,134,439
Transportation equipment	7,845,943	476,082	444,446	7,877,579
Subtotal	161,989,981	6,887,812	478,835	168,398,958
Less accumulated depreciation:				
Land improvements	579,136	82,396		661,532
Buildings and additions	44,248,831	2,975,784		47,224,615
Machinery and equipment	6,106,662	1,053,746	30,128	7,130,280
Transportation equipment	5,602,894	546,071	443,758	5,705,207
	56,537,523	4,657,997	473,886	60,721,634
Net capital assets	\$ 112,703,417	\$8,725,165	\$ 4,297,093	\$ 117,131,489

Depreciation for the fiscal year ended June 30, 2007 amounted to \$4,657,997.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Continued

NOTE 4 - CAPITAL ASSETS (Concluded)

Depreciation expense was charged to programs of the government as follows:

Instructional	\$ 36,796
Support service	1,141,738
Athletics	36,668
Food service	1,860
Community service	2,544
Outgoing transfers and other	200,192
Unallocated	3,238,199
	<u>\$ 4,657,997</u>

Depreciation of capital assets that serve multiple functions is recorded as unallocated.

NOTE 5 - LONG-TERM DEBT

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of governmental long-term obligations for the District for the year ended June 30, 2007:

	Accumulated compensated absences	Accumulated termination benefits	Bonds and other debt	Total
Balance, July 1, 2006	\$ 326,000	\$ 1,241,777	\$ 71,564,150	\$ 73,131,927
Additions			9,957,237	9,957,237
Deletions	<u>30,000</u>	<u>37,312</u>	<u>8,615,860</u>	<u>8,683,172</u>
Balance, June 30, 2007	296,000	1,204,465	72,905,527	74,405,992
Less current portion	<u>296,000</u>	<u>200,302</u>	<u>10,560,771</u>	<u>11,057,073</u>
Total due after one year	<u>\$</u>	<u>\$ 1,004,163</u>	<u>\$ 62,344,756</u>	<u>\$ 63,348,919</u>

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Continued

NOTE 5 - LONG-TERM DEBT (Continued)

Bonds payable at June 30, 2007 is comprised of the following issues:

1998 refunding bonds due in annual installments of \$1,935,000 to \$2,565,000 through May 1, 2020, with interest at 4.30% to 5.05%.	\$ 31,705,000
2001 school building and site bonds due in annual installments of \$800,000 to \$825,000 through May 1, 2014, with interest at 3.65% to 4.40%.	5,700,000
2004 refunding bonds due in annual installments of \$1,840,000 to \$2,580,000 through May 1, 2009, with interest at 2.00% to 2.75%.	4,420,000
2004 school building and site bonds due in annual installments of \$275,000 through May 1, 2014, with interest at 3.00% to 4.10%.	1,925,000
2005 school building and site bonds due in annual installments of \$775,000 to \$975,000 through May 1, 2015, with interest at 3.00% to 4.00%.	7,000,000
2005 refunding bonds due in annual installments of \$630,000 to \$1,245,000 through May 1, 2017, with interest at 3.00% to 5.00%.	11,085,000
2007 school building and site bonds due in annual installments of \$675,000 to \$3,485,000 through May 1, 2017, with interest at 3.75% to 4.00%.	9,870,000
Plus: premiums on bond issuance, net of amortization	724,890
Less: deferred losses on bond refundings, net of amortization	<u>(381,314)</u>
Total general obligation bonded debt	72,048,576
1998 limited obligation bonds (Durant bonds) due in annual installments of \$80,771 to \$501,432 through May 15, 2013, with interest at 4.76%. Certain state aid payments have been pledged as security.	856,951
Other accrued benefits:	
Obligation under contract for compensated absences	296,000
Obligation under contract for termination benefits - severance	<u>1,204,465</u>
Total general long term debt	<u><u>\$ 74,405,992</u></u>

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Continued

NOTE 5 - LONG-TERM DEBT (Concluded)

The District records a liability for compensated absences and other retirement commitments based on individual contracts.

The Durant bonds, including interest, were issued in anticipation of payment to the District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond.

In prior years, the District has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earning from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the District's government-wide financial statements. As of June 30, 2007, \$45,950,000 of bonds outstanding are considered defeased.

At June 30, 2007, \$2,326,376 is available to service the general obligation debt.

The annual requirements to amortize debt outstanding as of June 30, 2007, including interest payments of \$18,566,871 are as follows:

Year ending June 30,	Principal	Interest	Amounts payable
2008	\$ 10,480,000	\$ 3,086,482	\$ 13,566,482
2009	7,865,771	2,714,318	10,580,089
2010	6,469,612	2,429,142	8,898,754
2011	6,891,432	2,343,152	9,234,584
2012	6,522,858	1,901,857	8,424,715
2013-2017	27,047,278	5,363,450	32,410,728
2018-2020	7,285,000	728,470	8,013,470
	72,561,951	18,566,871	91,128,822
Premium on bond issuance	724,890		724,890
Deferred amount on bond refunding	(381,314)		(381,314)
Compensated absences	296,000		296,000
Termination benefits	1,204,465		1,204,465
	<u>\$ 74,405,992</u>	<u>\$ 18,566,871</u>	<u>\$ 92,972,863</u>

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Continued

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES:

Interfund payable and receivable balances at June 30, 2007 are as follows:

Payable fund		Receivable fund	
General	\$ 206,082	Food service	\$ 165,720
		Debt service	35,832
		Capital projects	4,530
			\$ 206,082
Capital projects	78,387	General	78,387
Debt service	206,536	Debt service	205,281
		General	1,255
			206,536
Community service	9,003	Food service	9,003
	\$ 500,008		\$ 500,008

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made. All amounts are expected to be repaid within one year.

NOTE 7 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (800) 381-5111.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Continued

NOTE 7 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Concluded)

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate for the year ended June 30, 2007 was 16.34% of payroll through September 30, 2006, and 17.74% effective October 1, 2006 through June 30, 2007. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS for the year ended June 30, 2007, 2006 and 2005 were \$9,316,459, \$8,605,011 and \$7,822,624, respectively, and were equal to the required contribution for those years.

Other Post-employment Benefits - Retirees have the option of health coverage, which is funded on a cash basis disbursement basis by the employers. The System has contracted to provide comprehensive group medical, hearing, dental, and vision coverage for retirees and beneficiaries. A significant portion of the premium is paid by the System with the balance deducted from the monthly pension.

The District is not responsible for the payment of retirement or other post-employment benefits which are the responsibility of the State of Michigan.

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2007 or any of the prior three years.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Concluded

NOTE 9 - CONTINGENCIES

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the District's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District.

NOTE 10 - INTERFUND TRANSFERS

The general fund transferred \$99,310 to the debt service fund, \$1,276,411 to the athletic fund, \$22,409 to the community services fund, and \$400,000 to the capital projects fund. The community service fund transferred \$202,810 to the general fund, and the general capital projects funds transferred \$11,173 to the 2006 capital projects fund for the reimbursement of expenditures paid by the other funds.

The transfers from the general fund to the athletic fund and community services fund were used to fund operations, the transfer to the debt service fund is for the retirement of debt, and the transfer to the capital projects fund was for the acquisition of fixed assets or construction of major capital projects.

NOTE 11 - COMMITMENTS

The District has active capital projects outstanding at June 30, 2007. Approximately \$10,500,000 is committed and recorded as fund balance in the 2004, 2005 and 2007 capital projects funds.

REQUIRED SUPPLEMENTARY INFORMATION

**TRAVERSE CITY AREA PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2007**

	Original budget	Final budget	Actual	Variance with final budget- positive (negative)
REVENUES:				
Local sources	\$ 32,055,094	\$ 33,242,358	\$ 33,451,103	\$ 208,745
State sources	49,017,909	48,858,088	48,298,692	(559,396)
Federal sources	2,140,224	3,004,264	2,424,489	(579,775)
Incoming transfers and other	1,434,000	2,158,551	2,070,701	(87,850)
Total revenues	84,647,227	87,263,261	86,244,985	(1,018,276)
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	42,484,723	42,605,038	41,908,755	696,283
Added needs	9,395,243	9,570,439	8,830,256	740,183
Total instruction	51,879,966	52,175,477	50,739,011	1,436,466
Supporting services:				
Pupil	3,270,123	3,355,453	3,299,713	55,740
Instructional staff	3,658,125	3,980,135	3,709,711	270,424
General administration	602,895	624,641	542,097	82,544
School administration	5,628,003	5,770,623	5,758,749	11,874
Business	1,784,716	1,680,473	1,568,419	112,054
Operation/maintenance	9,113,367	8,794,073	8,305,503	488,570
Pupil transportation	6,057,236	6,340,668	6,189,457	151,211
Central	2,401,259	2,572,860	2,340,887	231,973
Other	431,760	414,150	428,787	(14,637)
Total supporting services	32,947,484	33,533,076	32,143,323	1,389,753
Community service activities	250,568	582,565	504,123	78,442
Outgoing transfers and other transactions	448,632	16,961	49,064	(32,103)
Total expenditures	85,526,650	86,308,079	83,435,521	2,872,558
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(879,423)	955,182	2,809,464	1,854,282
OTHER FINANCING SOURCES (USES):				
Operating transfers from other funds	86,000	229,807	202,810	(26,997)
Operating transfers to other funds	(1,489,227)	(1,790,773)	(1,798,130)	(7,357)
Total other financing uses	(1,403,227)	(1,560,966)	(1,595,320)	(34,354)
NET CHANGE IN FUND BALANCE	<u>\$ (2,282,650)</u>	<u>\$ (605,784)</u>	1,214,144	<u>\$ 1,819,928</u>
FUND BALANCE:				
Beginning of year			11,409,563	
End of year			<u>\$ 12,623,707</u>	

ADDITIONAL INFORMATION

**TRAVERSE CITY AREA PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
YEAR ENDED JUNE 30, 2007**

	Final budget	Actual	Variance with final budget- positive (negative)
LOCAL SOURCES:			
Property taxes	\$ 30,794,571	\$ 30,797,050	\$ 2,479
Tuition	27,895	23,430	(4,465)
Investment earnings	1,050,000	1,199,554	149,554
Other local revenue	1,369,892	1,431,069	61,177
TOTAL LOCAL SOURCES	33,242,358	33,451,103	208,745
STATE SOURCES:			
Foundation grant	43,149,777	43,192,672	42,895
Special education	3,247,336	3,210,015	(37,321)
At risk	1,751,563	1,225,850	(525,713)
Other state revenue	709,412	670,155	(39,257)
TOTAL STATE SOURCES	48,858,088	48,298,692	(559,396)
FEDERAL SOURCES:			
Title I	1,328,177	1,160,167	(168,010)
Title II - improving teacher quality	505,172	456,695	(48,477)
Drug-free schools and communities	50,757	43,228	(7,529)
Other federal revenue	1,120,158	764,399	(355,759)
TOTAL FEDERAL SOURCES	3,004,264	2,424,489	(579,775)
INCOMING TRANSFERS AND OTHER TRANSACTIONS:			
Special education	1,856,188	1,851,116	(5,072)
Other	302,363	219,585	(82,778)
TOTAL INCOMING TRANSFERS AND OTHER TRANSACTIONS	2,158,551	2,070,701	(87,850)
TOTAL REVENUES	87,263,261	86,244,985	(1,018,276)
OTHER FINANCING SOURCES:			
Operating transfers	229,807	202,810	(26,997)
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 87,493,068	\$ 86,447,795	\$ (1,045,273)

TRAVERSE CITY AREA PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2007

	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget- positive (negative)</u>
INSTRUCTION:			
Basic programs:			
Elementary:			
Salaries	\$ 14,078,156	\$ 13,955,212	\$ 122,944
Benefits	6,771,277	6,697,031	74,246
Purchased services	176,893	206,227	(29,334)
Supplies and materials	387,142	325,441	61,701
Other expenses	16,500	3,543	12,957
Capital outlay	26,017	18,903	7,114
Total elementary	<u>21,455,985</u>	<u>21,206,357</u>	<u>249,628</u>
Middle school:			
Salaries	6,792,041	6,756,235	35,806
Benefits	3,241,542	3,237,196	4,346
Purchased services	90,517	114,263	(23,746)
Supplies and materials	191,479	196,825	(5,346)
Capital outlay	20,368	9,027	11,341
Total middle school	<u>10,335,947</u>	<u>10,313,546</u>	<u>22,401</u>
High school:			
Salaries	6,627,835	6,532,606	95,229
Benefits	3,132,861	3,053,395	79,466
Purchased services	216,466	220,573	(4,107)
Supplies and materials	288,788	239,182	49,606
Other expenses	190,061	32,940	157,121
Capital outlay	108,044	47,416	60,628
Total high school	<u>10,564,055</u>	<u>10,126,112</u>	<u>437,943</u>
Pre-school:			
Salaries	146,886	152,081	(5,195)
Benefits	77,659	78,285	(626)
Purchased services	1,378	6,130	(4,752)
Supplies and materials	9,272	11,870	(2,598)
Total pre-school	<u>235,195</u>	<u>248,366</u>	<u>(13,171)</u>
Summer school:			
Salaries	10,571	10,571	
Benefits	2,535	2,535	
Purchased services	250	1,253	(1,003)
Supplies and materials	500	15	485
Total summer school	<u>13,856</u>	<u>14,374</u>	<u>(518)</u>
Total basic programs	<u>42,605,038</u>	<u>41,908,755</u>	<u>696,283</u>

TRAVERSE CITY AREA PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2007
(Continued)

	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
INSTRUCTION (Concluded):			
Added needs:			
Special education:			
Salaries	\$ 4,331,852	\$ 4,334,707	\$ (2,855)
Benefits	2,103,380	2,087,195	16,185
Supplies and materials	33,408	25,281	8,127
Other expenses	3,103	1,984	1,119
Capital outlay	9,659	2,848	6,811
Total special education	<u>6,481,402</u>	<u>6,452,015</u>	<u>29,387</u>
Compensatory education:			
Salaries	1,467,845	1,212,451	255,394
Benefits	615,494	558,186	57,308
Purchased services	16,305	10,806	5,499
Supplies and materials	224,975	103,151	121,824
Other expenses	279,201	495	278,706
Capital outlay		775	(775)
Total compensatory education	<u>2,603,820</u>	<u>1,885,864</u>	<u>717,956</u>
Vocational education:			
Salaries	279,971	288,689	(8,718)
Benefits	133,587	133,621	(34)
Purchased services		719	(719)
Supplies and materials	66,902	57,625	9,277
Capital outlay	4,757	11,723	(6,966)
Total vocational education	<u>485,217</u>	<u>492,377</u>	<u>(7,160)</u>
Total added needs	<u>9,570,439</u>	<u>8,830,256</u>	<u>740,183</u>
TOTAL INSTRUCTION	<u>52,175,477</u>	<u>50,739,011</u>	<u>1,436,466</u>

TRAVERSE CITY AREA PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2007
(Continued)

	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
SUPPORTING SERVICES:			
Pupil services:			
Salaries	\$ 2,286,210	\$ 2,276,540	\$ 9,670
Benefits	1,001,607	988,973	12,634
Purchased services	38,125	14,779	23,346
Supplies and materials	28,733	15,741	12,992
Other expenses	328	3,655	(3,327)
Capital outlay	450	25	425
	<u>3,355,453</u>	<u>3,299,713</u>	<u>55,740</u>
Total pupil services			
	<u>3,355,453</u>	<u>3,299,713</u>	<u>55,740</u>
Instructional staff:			
Salaries	2,375,498	2,255,473	120,025
Benefits	925,476	858,192	67,284
Purchased services	377,584	308,162	69,422
Supplies and materials	224,729	214,171	10,558
Other expenses	18,901	14,716	4,185
Capital outlay	57,947	58,997	(1,050)
	<u>3,980,135</u>	<u>3,709,711</u>	<u>270,424</u>
Total instructional staff			
	<u>3,980,135</u>	<u>3,709,711</u>	<u>270,424</u>
General administration:			
Salaries	288,343	259,438	28,905
Benefits	100,473	85,327	15,146
Purchased services	187,845	167,694	20,151
Supplies and materials	16,684	9,027	7,657
Other expenses	27,996	19,342	8,654
Capital outlay	3,300	1,269	2,031
	<u>624,641</u>	<u>542,097</u>	<u>82,544</u>
Total general administration			
	<u>624,641</u>	<u>542,097</u>	<u>82,544</u>

TRAVERSE CITY AREA PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2007
(Continued)

	Final budget	Actual	Variance with final budget positive (negative)
SUPPORTING SERVICES (Continued) :			
School administration:			
Salaries	\$ 3,988,715	\$ 3,997,070	\$ (8,355)
Benefits	1,675,613	1,656,289	19,324
Purchased services	53,558	59,112	(5,554)
Supplies and materials	25,975	24,137	1,838
Other expenses	26,762	22,141	4,621
	<hr/>	<hr/>	<hr/>
Total school administration	5,770,623	5,758,749	11,874
	<hr/>	<hr/>	<hr/>
Business services:			
Salaries	814,409	792,934	21,475
Benefits	420,842	397,436	23,406
Purchased services	224,223	178,203	46,020
Supplies and materials	82,051	71,249	10,802
Other expenses	124,562	128,507	(3,945)
Capital outlay	14,386	90	14,296
	<hr/>	<hr/>	<hr/>
Total business services	1,680,473	1,568,419	112,054
	<hr/>	<hr/>	<hr/>
Operations and maintenance:			
Salaries	3,363,826	3,155,219	208,607
Benefits	1,743,767	1,633,486	110,281
Purchased services	1,440,095	1,365,887	74,208
Supplies and materials	2,209,783	2,112,775	97,008
Other expenses	10,920	12,064	(1,144)
Capital outlay	25,682	26,072	(390)
	<hr/>	<hr/>	<hr/>
Total operations and maintenance	8,794,073	8,305,503	488,570
	<hr/>	<hr/>	<hr/>

TRAVERSE CITY AREA PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2007
(Continued)

	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
SUPPORTING SERVICES (Concluded):			
Transportation:			
Salaries	\$ 2,939,537	\$ 3,000,386	\$ (60,849)
Benefits	1,838,788	1,849,165	(10,377)
Purchased services	511,055	400,537	110,518
Supplies and materials	946,870	872,042	74,828
Other expenses	11,015	9,799	1,216
Capital outlay	93,403	57,528	35,875
	<u>6,340,668</u>	<u>6,189,457</u>	<u>151,211</u>
Total transportation			
	<u>6,340,668</u>	<u>6,189,457</u>	<u>151,211</u>
Central services:			
Salaries	1,296,855	1,258,142	38,713
Benefits	581,679	564,238	17,441
Purchased services	370,521	250,770	119,751
Supplies and materials	121,242	72,369	48,873
Other expenses	12,581	7,593	4,988
Capital outlay	189,982	187,775	2,207
	<u>2,572,860</u>	<u>2,340,887</u>	<u>231,973</u>
Total central services			
	<u>2,572,860</u>	<u>2,340,887</u>	<u>231,973</u>
Other support services:			
Salaries	225,312	253,308	(27,996)
Benefits	71,062	71,083	(21)
Purchased services	108,753	91,058	17,695
Supplies and materials	3,520	720	2,800
Other expenses	5,503	9,844	(4,341)
Capital outlay	<u>2,774</u>	<u>2,774</u>	<u>(2,774)</u>
	<u>414,150</u>	<u>428,787</u>	<u>(14,637)</u>
Total other support services			
	<u>414,150</u>	<u>428,787</u>	<u>(14,637)</u>
TOTAL SUPPORTING SERVICES	<u>33,533,076</u>	<u>32,143,323</u>	<u>1,389,753</u>

TRAVERSE CITY AREA PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2007
(Concluded)

	Final budget	Actual	Variance with final budget positive (negative)
COMMUNITY SERVICES:			
Salaries	\$ 227,167	\$ 235,638	\$ (8,471)
Benefits	121,730	120,879	851
Purchased services	146,718	75,939	70,779
Supplies and materials	24,004	12,817	11,187
Other expenses	14,022	9,925	4,097
Capital outlay	48,924	48,925	(1)
TOTAL COMMUNITY SERVICES	582,565	504,123	78,442
OUTGOING TRANSFERS AND OTHER:			
Payments to other governmental units	7,941	49,064	(41,123)
Prior year adjustments	2,000		2,000
Capital outlay	7,020		7,020
TOTAL OUTGOING TRANSFERS AND OTHER	16,961	49,064	(32,103)
TOTAL EXPENDITURES	\$ 86,308,079	\$ 83,435,521	\$ 2,872,558

**TRAVERSE CITY AREA PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2007**

	<u>Special revenue</u>	<u>Debt service</u>	<u>Nonmajor capital projects</u>	<u>Total nonmajor governmental funds</u>
ASSETS				
ASSETS:				
Cash and cash equivalents	\$ 1,325,388	\$ 2,287,620	\$ 491,288	\$ 4,104,296
Accounts receivable	62,936			62,936
Delinquent taxes receivable		28,398		28,398
Due from other governmental units	199,980			199,980
Due from other funds	174,723	241,113		415,836
Inventories	138,958			138,958
	<u>1,901,985</u>	<u>2,557,131</u>	<u>491,288</u>	<u>4,950,404</u>
TOTAL ASSETS	<u>\$ 1,901,985</u>	<u>\$ 2,557,131</u>	<u>\$ 491,288</u>	<u>\$ 4,950,404</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 76,669	\$	\$ 145,335	\$ 222,004
Due to other funds	9,003	206,536		215,539
Deferred revenue	168,033	24,219		192,252
	<u>253,705</u>	<u>230,755</u>	<u>145,335</u>	<u>629,795</u>
TOTAL LIABILITIES	<u>253,705</u>	<u>230,755</u>	<u>145,335</u>	<u>629,795</u>
FUND BALANCES:				
Reserved for inventories	138,958			138,958
Reserved for debt service		2,326,376		2,326,376
Unreserved, undesignated	1,509,322		345,953	1,855,275
	<u>1,648,280</u>	<u>2,326,376</u>	<u>345,953</u>	<u>4,320,609</u>
TOTAL FUND BALANCES	<u>1,648,280</u>	<u>2,326,376</u>	<u>345,953</u>	<u>4,320,609</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,901,985</u>	<u>\$ 2,557,131</u>	<u>\$ 491,288</u>	<u>\$ 4,950,404</u>

TRAVERSE CITY AREA PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2007

	Special revenue	Debt service	Nonmajor capital projects	Total nonmajor governmental funds
REVENUES:				
Local sources:				
Property taxes	\$	\$ 11,694,772	\$	\$ 11,694,772
Investment earnings	27,787	325,099		352,886
Food sales and admissions	2,757,157			2,757,157
Tuition	1,560,133			1,560,133
Other	539,170		1,787,622	2,326,792
	<hr/>	<hr/>	<hr/>	<hr/>
Total local sources	4,884,247	12,019,871	1,787,622	18,691,740
State sources	141,092			141,092
Federal sources	2,214,622			2,214,622
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	7,239,961	12,019,871	1,787,622	21,047,454
	<hr/>	<hr/>	<hr/>	<hr/>
EXPENDITURES:				
Current:				
Food service activities	4,664,466			4,664,466
Athletic activities	1,499,902			1,499,902
Community service activity	1,709,973			1,709,973
Outgoing transfers and other transactions	279,071			279,071
Capital outlay	82,058		2,196,112	2,278,170
Debt service:				
Principal repayment		8,615,860		8,615,860
Interest expense		2,934,039		2,934,039
Other expense		39,437		39,437
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	8,235,470	11,589,336	2,196,112	22,020,918
	<hr/>	<hr/>	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(995,509)	430,535	(408,490)	(973,464)
	<hr/>	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of capital assets			34,430	34,430
Operating transfers from other funds	1,298,820	99,310	411,173	1,809,303
Operating transfers to other funds	(202,810)		(11,173)	(213,983)
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources	1,096,010	99,310	434,430	1,629,750
	<hr/>	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCES	100,501	529,845	25,940	656,286
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCES:				
Beginning of year	1,547,779	1,796,531	320,013	3,664,323
	<hr/>	<hr/>	<hr/>	<hr/>
End of year	\$ 1,648,280	\$ 2,326,376	\$ 345,953	\$ 4,320,609
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**TRAVERSE CITY AREA PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2007**

	<u>Food service</u>	<u>Athletic</u>	<u>Community Services</u>	<u>Totals</u>
ASSETS				
ASSETS:				
Cash and cash equivalents	\$ 249,084	\$ 22,675	\$ 1,053,629	\$ 1,325,388
Accounts receivable	28,880		34,056	62,936
Due from other governmental units	79,147		120,833	199,980
Due from other funds	174,723			174,723
Inventories	138,958			138,958
TOTAL ASSETS	<u>\$ 670,792</u>	<u>\$ 22,675</u>	<u>\$ 1,208,518</u>	<u>\$ 1,901,985</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 19,540	\$ 7,027	\$ 50,102	\$ 76,669
Due to other funds			9,003	9,003
Deferred revenue	19,078		148,955	168,033
TOTAL LIABILITIES	<u>38,618</u>	<u>7,027</u>	<u>208,060</u>	<u>253,705</u>
FUND BALANCES:				
Unreserved/reserved for inventories	138,958			138,958
Undesignated	493,216	15,648	1,000,458	1,509,322
TOTAL FUND BALANCES	<u>632,174</u>	<u>15,648</u>	<u>1,000,458</u>	<u>1,648,280</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 670,792</u>	<u>\$ 22,675</u>	<u>\$ 1,208,518</u>	<u>\$ 1,901,985</u>

**TRAVERSE CITY AREA PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2007**

	Food service	Athletic	Community Services	Totals
REVENUES:				
Sales	\$ 2,492,602	\$	\$	\$ 2,492,602
Tuition			1,560,133	1,560,133
State aid	141,092			141,092
Federal aid	1,536,884		677,738	2,214,622
Admissions		227,113	37,442	264,555
Investment earnings	27,787			27,787
Other	520,307	18,620	243	539,170
Total revenues	4,718,672	245,733	2,275,556	7,239,961
EXPENDITURES:				
Cost of goods sold - net	2,461,445			2,461,445
Salaries and wages	1,392,334	776,366	1,070,287	3,238,987
Employee benefits	486,902	230,003	486,889	1,203,794
Contracted services	217,968	400,287	76,512	694,767
Materials and supplies	93,794	8,935	74,930	177,659
Capital outlay	38,723	22,242	21,093	82,058
Miscellaneous	12,023	84,311	1,355	97,689
Outgoing transfers and other transactions			279,071	279,071
Total expenditures	4,703,189	1,522,144	2,010,137	8,235,470
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	15,483	(1,276,411)	265,419	(995,509)
OTHER FINANCING SOURCES (USES):				
Operating transfers from other funds		1,276,411	22,409	1,298,820
Operating transfers to other funds			(202,810)	(202,810)
Total other financing sources (uses)		1,276,411	(180,401)	1,096,010
NET CHANGE IN FUND BALANCES	15,483		85,018	100,501
FUND BALANCES:				
Beginning of year	616,691	15,648	915,440	1,547,779
End of year	\$ 632,174	\$ 15,648	\$ 1,000,458	\$ 1,648,280

**TRAVERSE CITY AREA PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2007**

	<u>1997</u>	<u>1998</u>	<u>2001</u>	<u>QZAB</u>	<u>2004</u>	<u>2005</u>	<u>2004 Refunding</u>	<u>2005 Refunding</u>	<u>2007</u>	<u>Total Nonmajor</u>
ASSETS										
ASSETS:										
Cash and cash equivalents	\$ 184,898	\$ 379,334	\$ 235,526	\$ 930	\$ 368,565	\$ 465,909	\$ 424,218	\$ 218,522	\$ 9,718	\$ 2,287,620
Due from other governmental funds	1,952	199,217	4,044		13,749	9,189	11,091	1,871		241,113
Delinquent taxes receivable					28,398					28,398
TOTAL ASSETS	<u>\$ 186,850</u>	<u>\$ 578,551</u>	<u>\$ 239,570</u>	<u>\$ 930</u>	<u>\$ 410,712</u>	<u>\$ 475,098</u>	<u>\$ 435,309</u>	<u>\$ 220,393</u>	<u>\$ 9,718</u>	<u>\$ 2,557,131</u>
LIABILITIES AND FUND BALANCES										
LIABILITIES:										
Deferred revenue	\$	\$	\$	\$	\$ 24,219	\$	\$	\$	\$	\$ 24,219
Due to other governmental funds	186,850			930	18,431				325	206,536
TOTAL LIABILITIES	<u>186,850</u>			<u>930</u>	<u>42,650</u>				<u>325</u>	<u>230,755</u>
FUND BALANCES:										
Reserved for debt service		578,551	239,570		368,062	475,098	435,309	220,393	9,393	2,326,376
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 186,850</u>	<u>\$ 578,551</u>	<u>\$ 239,570</u>	<u>\$ 930</u>	<u>\$ 410,712</u>	<u>\$ 475,098</u>	<u>\$ 435,309</u>	<u>\$ 220,393</u>	<u>\$ 9,718</u>	<u>\$ 2,557,131</u>

**TRAVERSE CITY AREA PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2007**

	<u>1997</u>	<u>1998</u>	<u>2001</u>	<u>QZAB</u>	<u>2004</u>	<u>2005</u>	<u>2004 Refunding</u>	<u>2005 Refunding</u>	<u>2007</u>	<u>Total Nonmajor</u>
REVENUES:										
Local sources:										
Property taxes	\$ 600,540	\$ 3,378,613	\$ 1,145,211	\$	\$ 469,589	\$ 2,515,049	\$ 3,022,475	\$ 563,295	\$	\$ 11,694,772
Interest	24,126	72,252	31,517		21,829	68,651	81,639	15,367	9,718	325,099
Total revenues	<u>624,666</u>	<u>3,450,865</u>	<u>1,176,728</u>		<u>491,418</u>	<u>2,583,700</u>	<u>3,104,114</u>	<u>578,662</u>	<u>9,718</u>	<u>12,019,871</u>
EXPENDITURES:										
Redemption of bonds	600,000	1,640,000	800,000	595,860	275,000	2,000,000	2,680,000	25,000		8,615,860
Interest on bonded debt	43,500	1,599,038	262,650		82,775	305,738	168,700	471,638		2,934,039
Other	2,225	11,128	3,920		1,565	8,301	9,927	2,046	325	39,437
Total expenditures	<u>645,725</u>	<u>3,250,166</u>	<u>1,066,570</u>	<u>595,860</u>	<u>359,340</u>	<u>2,314,039</u>	<u>2,858,627</u>	<u>498,684</u>	<u>325</u>	<u>11,589,336</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(21,059)</u>	<u>200,699</u>	<u>110,158</u>	<u>(595,860)</u>	<u>132,078</u>	<u>269,661</u>	<u>245,487</u>	<u>79,978</u>	<u>9,393</u>	<u>430,535</u>
OTHER FINANCING SOURCES:										
Operating transfers from other funds				99,310						99,310
NET CHANGE IN FUND BALANCES	<u>(21,059)</u>	<u>200,699</u>	<u>110,158</u>	<u>(496,550)</u>	<u>132,078</u>	<u>269,661</u>	<u>245,487</u>	<u>79,978</u>	<u>9,393</u>	<u>529,845</u>
FUND BALANCES:										
Beginning of year	<u>21,059</u>	<u>377,852</u>	<u>129,412</u>	<u>496,550</u>	<u>235,984</u>	<u>205,437</u>	<u>189,822</u>	<u>140,415</u>		<u>1,796,531</u>
End of year	<u>\$</u>	<u>\$ 578,551</u>	<u>\$ 239,570</u>	<u>\$</u>	<u>\$ 368,062</u>	<u>\$ 475,098</u>	<u>\$ 435,309</u>	<u>\$ 220,393</u>	<u>\$ 9,393</u>	<u>\$ 2,326,376</u>

**TRAVERSE CITY AREA PUBLIC SCHOOLS
NONMAJOR CAPITAL PROJECTS FUND
BALANCE SHEET
JUNE 30, 2007**

	<u>Capital projects</u>	<u>2006 Capital projects</u>	<u>Total Nonmajor Capital projects</u>
ASSETS			
Cash	\$ 297,327	\$ 193,961	\$ 491,288
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 118,585	\$ 26,750	\$ 145,335
Fund balances:			
Unreserved, undesignated	178,742	167,211	345,953
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 297,327</u>	<u>\$ 193,961</u>	<u>\$ 491,288</u>

**TRAVERSE CITY AREA PUBLIC SCHOOLS
NONMAJOR CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2007**

	<u>Capital projects</u>	<u>2006 Capital projects</u>	<u>Total Nonmajor Capital projects</u>
REVENUE:			
Other local revenue	\$ 1,787,622	\$	\$ 1,787,622
EXPENDITURES:			
Capital outlay	<u>1,773,721</u>	<u>422,391</u>	<u>2,196,112</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	13,901	(422,391)	(408,490)
OTHER FINANCING SOURCES (USES):			
Proceeds from sale of capital assets	34,430		34,430
Operating transfers to other funds	(11,173)		(11,173)
Operating transfers from other funds	<u>411,173</u>	<u>411,173</u>	<u>411,173</u>
Total other financing sources	<u>23,257</u>	<u>411,173</u>	<u>434,430</u>
NET CHANGE IN FUND BALANCES	37,158	(11,218)	25,940
FUND BALANCES:			
Beginning of year	<u>141,584</u>	<u>178,429</u>	<u>320,013</u>
End of year	<u><u>\$ 178,742</u></u>	<u><u>\$ 167,211</u></u>	<u><u>\$ 345,953</u></u>

**TRAVERSE CITY AREA PUBLIC SCHOOLS
FIDUCIARY FUND TYPES
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND LIABILITIES BY ACTIVITY - AGENCY FUND
YEAR ENDED JUNE 30, 2007**

	Balance 07/01/06	Additions	Deductions	Balance 06/30/07
Business Finance	\$ 2,271	\$ 851	\$ 1,131	\$ 1,991
Blair	25,825	22,119	27,379	20,565
Bertha Vos	12,826	20,646	22,345	11,127
Curriculum	1,577	30,477	27,195	4,859
Central	52,695	27,934	30,784	49,845
Cherry Knoll	31,024	27,650	46,610	12,064
Courtade	17,454	28,046	26,906	18,594
Central Senior	88,888	311,942	288,628	112,202
District	57,136	11,454	2,979	65,611
Eastern	20,801	27,233	24,491	23,543
East Junior	45,314	116,504	129,951	31,867
Elementary	2,533	1,846	1,485	2,894
English Second Language		1,280		1,280
Glen Loomis	2,747	19,966	10,590	12,123
Great Lakes Food Coop.	6,188	38,788	34,015	10,961
Interlochen	21,879	38,137	41,879	18,137
Junior High	61			61
Long Lake	12,720	21,048	25,791	7,977
Montessori	2,945	9,989	9,271	3,663
Maintenance	191			191
Music	10,304	101,465	98,606	13,163
Norris	14,780	27,576	25,855	16,501
Nursing	10,141	8,152	5,681	12,612
Old Mission	35,181	52,896	29,554	58,523
Oak Park	4,565	28	4,593	
Quality Schools	4,786	16,904	7,750	13,940
Reading Recovery	2,399			2,399
Saint Francis	159			159
Silver Lake	24,273	34,048	42,940	15,381
Special Programs	4,052	28,455	16,331	16,176
Superintendent	19,526			19,526
Technology		230	230	
Traverse Heights	9,583	10,266	8,542	11,307
Trinity Lutheran	(4)			(4)
Transportation	4,920	6,617	6,491	5,046
Traverse Senior	17,164	16,182	15,194	18,152
Willow Hill	52,192	88,654	97,404	43,442
West Junior	19,556	56,699	72,632	3,623
West Senior	92,918	382,103	378,595	96,426
Westwoods	15,608	25,926	30,893	10,641
West Junior - Athletics	33,944	69,519	37,892	65,571
Central Senior - Athletics	33,147	147,063	130,063	50,147
District - Athletics		11,840	11,840	
East Junior - Athletics	10,188	26,719	20,814	16,093
West Senior - Athletics	40,030	75,065	76,973	38,122
	<u>\$ 864,487</u>	<u>\$ 1,942,317</u>	<u>\$ 1,870,303</u>	<u>\$ 936,501</u>

TRAVERSE CITY AREA PUBLIC SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2007

1998 Refunding Bonds

Calendar year	Interest rate	Principal due May 1,	Interest due		Total due annually
			May 1	November 1	
2007	4.30%	\$	\$	\$ 764,259	\$ 764,259
2008	4.35%	1,935,000	764,259	722,172	3,421,431
2009	4.40%	2,455,000	722,172	668,163	3,845,335
2010	4.50%	2,565,000	668,163	610,450	3,843,613
2011	4.60%	2,545,000	610,450	551,915	3,707,365
2012	4.70%	2,525,000	551,915	492,577	3,569,492
2013	4.80%	2,505,000	492,577	432,458	3,430,035
2014	5.05%	2,490,000	432,458	369,585	3,292,043
2015	5.05%	2,480,000	369,585	306,965	3,156,550
2016	5.05%	2,465,000	306,965	244,724	3,016,689
2017	5.05%	2,455,000	244,724	182,735	2,882,459
2018	5.05%	2,440,000	182,735	121,125	2,743,860
2019	5.00%	2,430,000	121,125	60,375	2,611,500
2020	5.00%	2,415,000	60,375		2,475,375
Total 1998 bonded debt		<u>\$ 31,705,000</u>	<u>\$ 5,527,503</u>	<u>\$ 5,527,503</u>	<u>\$ 42,760,006</u>

The above bonds dated October 1, 1998 were issued for the purpose of refunding bonds issued in prior years. The amount of the original bond issue was \$34,920,000.

TRAVERSE CITY AREA PUBLIC SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2007
(Continued)

2001 School Building and Site Bonds

Calendar year	Interest rate	Principal due May 1	Interest due		Total due annually
			May 1	November 1	
2007	3.65%	\$	\$	\$ 116,725	\$ 116,725
2008	3.75%	800,000	116,725	101,725	1,018,450
2009	3.90%	800,000	101,725	86,125	987,850
2010	4.00%	800,000	86,125	70,125	956,250
2011	4.10%	825,000	70,125	53,212	948,337
2012	4.20%	825,000	53,212	35,888	914,100
2013	4.30%	825,000	35,888	18,150	879,038
2014	4.40%	825,000	18,150		843,150
Total 2001 bonded debt		<u>\$ 5,700,000</u>	<u>\$ 481,950</u>	<u>\$ 481,950</u>	<u>\$ 6,663,900</u>

The above bonds dated August 1, 2001 were issued for the purpose of remodeling, equipping, and re-equipping school buildings; and improving sites in the school district. The amount of the original bond issue was \$10,000,000.

TRAVERSE CITY AREA PUBLIC SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2007
(Continued)

2004 Refunding Bonds

Calendar year	Interest rate	Principal due May 1,	Interest due		Total due annually
			May 1	November 1	
2007	2.00%	\$	\$	\$ 57,550	\$ 57,550
2008	2.50%	2,580,000	57,550	25,300	2,662,850
2009	2.75%	1,840,000	25,300		1,865,300
Total 2004 bonded debt		\$ 4,420,000	\$ 82,850	\$ 82,850	\$ 4,585,700

The above bonds dated March 16, 2004 were issued for the purpose of refunding bonds issued in prior years. The amount of the original bond issue was \$12,720,000.

TRAVERSE CITY AREA PUBLIC SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2007
(Continued)

2004 School Building and Site Bonds

Calendar year	Interest rate	Principal due May 1	Interest due		Total due annually
			May 1	November 1	
2007	3.00%	\$	\$	\$ 37,263	\$ 37,263
2008	3.50%	275,000	37,263	32,450	344,713
2009	3.75%	275,000	32,450	27,294	334,744
2010	3.75%	275,000	27,294	22,137	324,431
2011	4.00%	275,000	22,137	16,638	313,775
2012	4.00%	275,000	16,638	11,137	302,775
2013	4.00%	275,000	11,137	5,638	291,775
2014	4.10%	275,000	5,638		280,638
Total 2004 bonded debt		<u>\$ 1,925,000</u>	<u>\$ 152,557</u>	<u>\$ 152,557</u>	<u>\$ 2,230,114</u>

The above bonds dated June 1, 2004 were issued for the purpose of remodeling, equipping, and re-equipping school buildings; and improving sites in the school district. The amount of the original bond issue was \$4,000,000.

TRAVERSE CITY AREA PUBLIC SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2007
(Continued)

2005 School Building and Site Bonds

Calendar year	Interest rate	Principal due May 1	Interest due		Total due annually
			May 1	November 1	
2007	3.00%	\$	\$	\$ 122,869	\$ 122,869
2008	3.00%	775,000	122,869	111,244	1,009,113
2009	3.25%	800,000	111,244	98,244	1,009,488
2010	3.25%	825,000	98,244	84,837	1,008,081
2011	3.45%	850,000	84,837	70,175	1,005,012
2012	3.50%	900,000	70,175	54,425	1,024,600
2013	3.70%	925,000	54,425	37,312	1,016,737
2014	3.75%	950,000	37,312	19,500	1,006,812
2015	4.00%	975,000	19,500		994,500
Total 2005 bonded debt		<u>\$ 7,000,000</u>	<u>\$ 598,606</u>	<u>\$ 598,606</u>	<u>\$ 8,197,212</u>

The above bonds dated May 1, 2005 were issued for the purpose of erecting, furnishing and equipping an addition or additions and/or remodeling, refurnishing, equipping and re-equipping existing school facilities; acquiring, installing, equipping, and re-equipping school facilities for educational technology improvements; purchasing buses and developing and improving sites, including playgrounds and outdoor physical education and athletic facilities. The amount of the original bond issue was \$11,000,000.

TRAVERSE CITY AREA PUBLIC SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2007
(Continued)

2005 Refunding Bonds

Calendar year	Interest rate	Principal due May 1,	Interest due		Total due annually
			May 1	November 1	
2007	3.00%	\$	\$	\$ 235,444	\$ 235,444
2008	3.00%	630,000	235,444	225,994	1,091,438
2009	3.00%	940,000	225,994	211,894	1,377,888
2010	3.25%	1,245,000	211,894	191,662	1,648,556
2011	4.00%	1,220,000	191,662	167,262	1,578,924
2012	3.75%	1,205,000	167,262	144,669	1,516,931
2013	5.00%	1,185,000	144,669	115,044	1,444,713
2014	5.00%	1,175,000	115,044	85,669	1,375,713
2015	5.00%	1,170,000	85,669	56,418	1,312,087
2016	4.75%	1,165,000	56,418	28,750	1,250,168
2017	5.00%	1,150,000	28,750		1,178,750
Total 2005 bonded debt		<u>\$ 11,085,000</u>	<u>\$ 1,462,806</u>	<u>\$ 1,462,806</u>	<u>\$ 14,010,612</u>

The above bonds dated March 3, 2005 were issued for the purpose of refunding bonds issued in prior years. The amount of the original bond issue was \$11,110,000.

TRAVERSE CITY AREA PUBLIC SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2007
(Continued)

2007 School Building and Site Bonds

Calendar year	Interest rate	Principal due May 1	Interest due		Total due annually
			May 1	November 1	
2007		\$	\$	\$ 225,218	\$ 225,218
2008	3.75%	3,485,000	193,044	127,700	3,805,744
2009	4.00%	675,000	127,700	114,200	916,900
2010	4.00%	675,000	114,200	100,700	889,900
2011	4.00%	675,000	100,700	87,200	862,900
2012	4.00%	700,000	87,200	73,200	860,400
2013	4.00%	725,000	73,200	58,700	856,900
2014	4.00%	725,000	58,700	44,200	827,900
2015	4.00%	725,000	44,200	29,700	798,900
2016	4.00%	750,000	29,700	14,700	794,400
2017	4.00%	735,000	14,700		749,700
Total 2007 bonded debt		<u>\$ 9,870,000</u>	<u>\$ 843,344</u>	<u>\$ 875,518</u>	<u>\$ 11,588,862</u>

The above bonds dated March 26, 2007 were issued for the purpose of erecting, furnishing and equipping an addition or additions and/or remodeling, refurnishing, equipping and re-equipping existing school facilities; acquiring, installing, equipping, and re-equipping school facilities for educational technology improvements; purchasing buses and developing and improving sites, including playgrounds and outdoor physical education and athletic facilities. The amount of the original bond issue was \$9,870,000.

TRAVERSE CITY AREA PUBLIC SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2007
(Concluded)

1998 School Improvement Bonds (Durant Bonds)

<u>Calendar year</u>	<u>Interest rate</u>	<u>Principal due May 15</u>	<u>Interest due May 15</u>	<u>Total due annually</u>
2007		\$	\$	\$
2008				
2009	4.76%	80,771	21,148	101,919
2010	4.76%	84,612	17,302	101,914
2011	4.76%	501,432	183,330	684,762
2012	4.76%	92,858	9,053	101,911
2013	4.76%	97,278	4,632	101,910
Total 1998 bonded debt		<u>\$ 856,951</u>	<u>\$ 235,465</u>	<u>\$ 1,092,416</u>

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the State Aid Payments directly to the Authority's Depository.

**TRAVERSE CITY AREA PUBLIC SCHOOLS
SCHEDULE OF PROPERTY TAX DATA
YEAR ENDED JUNE 30, 2007**

				Tax Levy (Mills)		
	2007			Operating		
	Homestead	Non-Homestead	Total	Homestead	Non-Homestead	Debt
Other Information:						
State-equalized valuation of property assessed in the Traverse City Area School District:						
Grand Traverse County:						
Acme Township	\$ 131,531,094	\$ 121,104,573	\$ 252,635,667	6.0	18.0	3.1
Blair Township	119,116,022	85,283,593	204,399,615	6.0	18.0	3.1
East Bay Township	245,041,990	190,371,796	435,413,786	6.0	18.0	3.1
Garfield Township	290,730,670	519,357,300	810,087,970	6.0	18.0	3.1
Grant Township	11,203,501	6,227,819	17,431,320	6.0	18.0	3.1
Green Lake Township	125,974,565	85,976,995	211,951,560	6.0	18.0	3.1
Long Lake Township	253,562,969	99,014,611	352,577,580	6.0	18.0	3.1
Peninsula Township	354,179,571	138,373,898	492,553,469	6.0	18.0	3.1
Union Township	6,164,372	6,575,698	12,740,070	6.0	18.0	3.1
Whitewater Township	122,140	432,550	554,690	6.0	18.0	3.1
City of Traverse City	272,739,614	385,582,111	658,321,725	6.0	18.0	3.1
Leelanau County:						
Elmwood Township	150,232,732	64,524,383	214,757,115	6.0	18.0	3.1
Solon Township	34,288,189	10,145,033	44,433,222	6.0	18.0	3.1
Traverse City Annexed	3,007,419	13,071,195	16,078,614	6.0	18.0	3.1
Benzie County - Almira Township	25,859,702	3,921,469	29,781,171	6.0	18.0	3.1
Total	<u>\$ 2,023,754,550</u>	<u>\$ 1,729,963,024</u>	<u>\$ 3,753,717,574</u>			
Official Student Enrollment				10,755		

TRAVERSE CITY AREA PUBLIC SCHOOLS
PROPERTY TAX DATA
JUNE 30, 2007

<u>Year Levied</u>	<u>Delinquent July 1, 2006</u>	<u>Original tax levy</u>	<u>Collections, adjustments, and write-offs</u>	<u>Delinquent June 30, 2007</u>
General Fund				
2006	\$	\$ 30,696,287	\$ 30,580,709	\$ 115,578
2005	116,727		60,120	56,607
2004	80,446		80,446	
Total General Fund	197,173	30,696,287	30,721,275	172,185
Debt Service Funds				
2006		11,638,341	11,619,157	19,184
2005	19,114		9,900	9,214
2004	13,951		13,951	
Total Debt Service Funds	33,065	11,638,341	11,643,008	28,398
Total	\$ 230,238	\$ 42,334,628	\$ 42,364,283	\$ 200,583

TRAVERSE CITY AREA PUBLIC SCHOOLS
GENERAL FUND BALANCE DESIGNATIONS BY BUILDING
JUNE 30, 2007

Site	Amount
Bertha Vos	\$ 27,528
Blair	7,185
Central Grade	15,435
Cherry Knoll	1,661
Courtade	13,912
Eastern	9,121
Glenn Loomis	6,693
Interlochen	5,240
Long Lake	15,090
Montessori	9,758
Norris	11,976
Old Mission	1,212
Silver Lake	1,597
Traverse Heights	10,311
Westwoods	5,351
Willow Hill	44,865
East Jr. High	12,852
West Jr. High	40,364
Central Sr. High	9,071
West Sr. High	3,224
Traverse City Sr. High	168,008
	<u>\$ 420,454</u>

**Traverse City Area Public Schools
Comprehensive Annual Financial Report
Statistical Section Overview
2006-2007**

The Statistical section contains a wide array of financial and other information that covers several years and reflects social, economic, and financial trends of the District and the area in which the District operates. This section is designed to give the reader a more thorough understanding of the District as a whole than is available in the basic financial statements taken in isolation. The schedules in this section are segregated into various categories as noted below:

FINANCIAL TRENDS

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

REVENUE CAPACITY

These schedules contain information to help the reader assess the District's revenue generating capacity. It should be noted, as discussed earlier in the transmittal letter, that school funding in Michigan is based on a per student "foundation" amount that is determined by the State of Michigan. Some of the amount determined by the state is raised locally through a millage on "non-homestead" property taxes. The state makes up the difference between what is raised locally and what is the state determined revenue amount due to our district. As such, the District's ability to generate unrestricted revenues via local property taxes is severely limited.

DEBT CAPACITY

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

DEMOGRAPHIC & ECONOMIC INFORMATION

These schedules present demographic and economic indicators to help the reader understand the economic environment within which the District operates.

OPERATIONAL INFORMATION

These schedules contain infrastructure information to help the reader understand physical plant aspects of the District's operation.

It should be noted that many of the schedules within the categories described above contain overlapping information. For example, certain demographic and economic information contains property values that can be used to determine debt capacity. Also, certain financial trend information contains student cost by function information that may be considered for demographic purposes. The point is that these schedules are divided into sections so that they relate to their primary purpose (e.g., financial trend, operating, etc.), but contain information that may overlap the purposes defined by these sections.

Special note should also be made that because the revenue capacity and debt capacity information overlaps so closely in our District, we have combined these two sections into one section titled "Revenue and Debt Capacity". This was done so as to make the information more meaningful to the reader and to avoid providing excessively redundant information on the same property values used to show both revenue and debt capacity.

**Traverse City Area Public Schools
Comprehensive Annual Financial Report
Statistical Section
2006-2007**

FINANCIAL TRENDS

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Financial Trends
Net Assets by Component
2003-2007¹

ASSETS	2003	2004	2005	2006	2007
Current Assets:					
Cash and cash equivalents	\$ 17,118,917	\$ 18,547,684	\$ 15,142,053	\$ 14,051,881	\$ 13,397,598
Investments	516,837	2,930,602	15,163,819	1,253,066	3,424,101
Receivables:					
Accounts receivable	183,325	120,212	177,816	141,359	827,686
Interest receivable	8,872		47,854	119,671	208,014
Taxes receivable	216,013	302,391	282,787	230,239	200,583
Due from other governmental units	9,962,183	9,699,079	10,289,840	9,715,454	8,249,936
Inventories	122,517	148,038	171,840	195,716	196,821
Prepaid expenditures	105,792	101,940	150,252	87,309	139,800
Restricted cash and cash equivalents-capital projects ²				4,091,563	2,648,899
Restricted investments - capital projects ²				3,025,738	8,473,336
Total Current Assets	28,234,456	31,849,946	41,426,261	32,911,996	37,766,774
Noncurrent Assets:					
Deferred charges, net of amortization		114,250	244,038	210,867	247,648
Capital assets	158,153,369	160,545,730	162,666,775	169,240,940	177,853,123
Less accumulated depreciation	(45,588,966)	(49,245,365)	(52,816,569)	(56,537,523)	(60,721,634)
Total Noncurrent Assets	112,564,403	111,414,615	110,094,244	112,914,284	117,379,137
Total Assets	\$ 140,798,859	\$ 143,264,561	\$ 151,520,505	\$ 145,826,280	\$ 155,145,911
LIABILITIES AND NET ASSETS					
Current Liabilities:					
Accounts payable	\$ 353,397	\$ 837,270	\$ 892,536	\$ 1,052,801	\$ 1,366,528
Accrued salaries and related items	9,634,628	9,587,136	10,344,083	9,037,426	7,867,112
Accrued interest	660,354	626,333	730,884	609,441	689,565
Accrued expenses	123,409	103,722	123,982		
Deferred revenue	1,507,490	715,732	725,042	770,842	1,005,355
Current portion of long-term obligations	5,364,244	6,912,647	8,183,179	8,391,507	10,560,771
Current portion of compensated absences and retirement incentives	356,181	354,689	559,003	529,240	496,302
Total Current Liabilities	17,999,703	19,137,529	21,558,709	20,391,257	21,985,633
Noncurrent Liabilities:					
Noncurrent portion of long-term obligations	71,610,706	68,556,366	71,281,619	63,172,643	62,344,756
Noncurrent portion of compensated absences and retirement incentives	547,271	517,432	490,997	1,038,537	1,004,163
Total Noncurrent Liabilities	72,157,977	69,073,798	71,772,616	64,211,180	63,348,919
Total Liabilities	90,157,680	88,211,327	93,331,325	84,602,437	85,334,552
Net Assets:					
Invested in capital assets net of related debt	37,958,814	39,880,280	43,695,795	48,229,845	54,971,707
Restricted for debt service	841,240	1,303,880	1,115,670	1,187,090	1,636,811
Unrestricted	11,841,125	13,869,074	13,377,715	11,806,908	13,202,841
Total Net Assets	50,641,179	55,053,234	58,189,180	61,223,843	69,811,359
TOTAL LIABILITIES AND NET ASSETS	\$ 140,798,859	\$ 143,264,561	\$ 151,520,505	\$ 145,826,280	\$ 155,145,911

¹ Government-wide schedules were not completed prior to the implementation of GASB 34 in 2003.

² Presentation changed to separate Capital Projects assets as "restricted" in fiscal year 2006.

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Financial Trends
Changes in Net Assets
2003-2007¹

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Expenses:					
Governmental activities:					
Instruction	\$ 46,890,132	\$46,915,972	\$48,823,122	\$50,833,381	\$50,700,895
Support services	29,369,284	30,463,216	32,394,692	34,114,152	33,148,544
Community services	3,071,323	3,174,945	2,512,309	1,987,106	2,175,103
Outgoing transfers and other transactions	262,327	415,524	215,361	410,542	528,327
Food services	4,387,145	4,489,544	4,539,385	4,556,915	4,685,208
Athletics	1,529,701	1,551,804	1,557,295	1,597,833	1,558,812
Interest on long-term debt	3,936,728	3,642,192	3,331,954	3,183,246	3,014,163
Unallocated depreciation	4,139,306	3,584,607	3,464,631	3,402,931	3,238,199
Total governmental expenses	<u>93,585,946</u>	<u>94,237,804</u>	<u>96,838,749</u>	<u>100,086,106</u>	<u>99,049,251</u>
Program Revenues:					
Governmental activities:					
Charges for services:					
Instruction	192,528	45,831	52,669	22,003	23,705
Support services	371,677	433,004	891,654	836,261	847,653
Community services	1,342,804	1,493,048	1,592,487	1,498,585	1,597,575
Food services	2,980,360	3,160,186	2,994,751	3,062,044	3,012,909
Athletics	305,044	336,878	383,830	361,734	245,732
Total charges for services	<u>5,192,413</u>	<u>5,468,947</u>	<u>5,915,391</u>	<u>5,780,627</u>	<u>5,727,574</u>
Operating Grants:					
Instruction	3,348,752	3,126,176	3,113,302	3,156,191	2,807,508
Support services	1,390,495	1,352,268	1,505,095	1,785,806	1,554,027
Community services	1,815,914	1,941,286	869,774	359,612	585,201
Outgoing transfers and other transactions				403,133	287,012
Food services	1,457,429	1,485,806	1,535,063	1,565,172	1,677,977
Athletics		480			
Total operating grants	<u>8,012,590</u>	<u>7,906,016</u>	<u>7,023,234</u>	<u>7,269,914</u>	<u>6,911,725</u>
Total program revenues	<u>13,205,003</u>	<u>13,374,963</u>	<u>12,938,625</u>	<u>13,050,541</u>	<u>12,639,299</u>
Net (Expense) revenue and changes in net assets	<u>(80,380,943)</u>	<u>(80,862,841)</u>	<u>(83,900,124)</u>	<u>(87,035,565)</u>	<u>(86,409,952)</u>
General Revenues:					
Property taxes, levied for general purposes	22,385,551	23,660,115	25,924,215	28,095,521	30,786,496
Property taxes, levied for debt service	8,699,718	9,241,769	9,985,717	10,722,573	11,693,362
Investment earnings	344,627	167,568	639,026	1,542,518	1,874,303
State sources	51,048,922	49,685,396	47,489,558	46,792,354	46,402,687
Gain on sale of fixed assets		83,708	32,253	25,030	
Traverse Bay Area ISD	986,839	1,119,276	1,852,986	2,185,231	3,561,229
Other	821,500	1,317,064	1,112,315	707,001	679,391
Total general revenues	<u>84,287,157</u>	<u>85,274,896</u>	<u>87,036,070</u>	<u>90,070,228</u>	<u>94,997,468</u>
CHANGE IN NET ASSETS	<u>3,906,214</u>	<u>4,412,055</u>	<u>3,135,946</u>	<u>3,034,663</u>	<u>8,587,516</u>
NET ASSETS, beginning of year	<u>46,734,965</u>	<u>50,641,179</u>	<u>55,053,234</u>	<u>58,189,180</u>	<u>61,223,843</u>
NET ASSETS, end of year	<u>\$ 50,641,179</u>	<u>\$55,053,234</u>	<u>\$58,189,180</u>	<u>\$61,223,843</u>	<u>\$69,811,359</u>

¹ Government-wide schedules were not completed prior to the implementation of GASB 34 in 2003.

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Financial Trends
Fund Balances -Governmental Funds
1998-2007

	Fiscal Year				
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
General Fund					
Reserved	\$	\$	\$ 42,720	\$	\$ 116,310
Designated	947,339	123,399	53,680		4,383,508
Unreserved, undesignated	5,934,506	6,391,337	6,268,880	8,073,614	5,965,928
Total general fund	<u>6,881,845</u>	<u>6,514,736</u>	<u>6,365,280</u>	<u>8,073,614</u>	<u>10,465,746</u>
Other governmental funds					
Nonmajor Special Revenue Funds					
Reserved	89,432	99,914	90,704	89,914	110,122
Unreserved	175,933	251,645	277,198	252,160	445,034
Nonmajor Debt Service Funds					
Reserved				1,247,522	1,276,747
Unreserved	2,607,396	1,222,022	961,965		
Non major Capital Projects Funds					7,727,403
Reserved	20,346,771	4,175,146	1,236,933	12,753	
Total other governmental funds	<u>23,219,532</u>	<u>5,748,727</u>	<u>2,566,800</u>	<u>1,602,349</u>	<u>9,559,306</u>
Total governmental funds	<u>\$ 30,101,377</u>	<u>\$ 12,263,463</u>	<u>\$ 8,932,080</u>	<u>\$ 9,675,963</u>	<u>\$20,025,052</u>

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Fund					
Reserved	\$ 153,812	\$ 150,301	\$ 200,161	\$ 154,716	\$ 197,663
Designated	5,729,071	4,812,646	5,211,023	4,496,361	4,080,392
Unreserved, undesignated	5,941,162	8,405,096	7,491,157	6,758,486	8,345,652
Total general fund	<u>11,824,045</u>	<u>13,368,043</u>	<u>12,902,341</u>	<u>11,409,563</u>	<u>12,623,707</u>
Other governmental funds					
Nonmajor Special Revenue Funds					
Reserved	74,497	99,677	121,931	128,309	138,958
Unreserved	733,574	906,651	1,160,510	1,419,470	1,509,322
Nonmajor Debt Service Funds					
Reserved	1,494,686	1,930,213	1,846,554	1,796,531	2,326,376
Major capital Projects Funds					
Reserved			13,066,349	6,879,711	10,498,097
Unreserved	2,369,361	3,934,678			
Unreserved nonmajor capital projects funds	33,911	83,644	120,371	320,013	345,953
Total other governmental funds	<u>4,706,029</u>	<u>6,954,863</u>	<u>16,315,715</u>	<u>10,544,034</u>	<u>14,818,706</u>
Total governmental funds	<u>\$ 16,530,074</u>	<u>\$ 20,322,906</u>	<u>\$ 29,218,056</u>	<u>\$ 21,953,597</u>	<u>\$27,442,413</u>

TRAVERSE CITY AREA PUBLIC SCHOOLS
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Changes in Fund Balances - Governmental Funds
1998-2007

	Fiscal Year¹				
Revenues	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Local sources:					
Property taxes	\$ 22,943,848	\$ 23,566,546	\$ 25,283,686	\$26,858,117	\$28,987,951
Tuition	-	-	-	911,205	177,367
Investment earnings	1,050,154	847,549	945,485	1,034,252	616,008
Food sales, athletics, and community service	2,362,375	2,769,841	2,998,317	3,099,492	4,509,642
Other	2,596,756	3,134,194	1,407,935	877,005	996,954
Total local sources	28,953,133	30,318,130	30,635,423	32,780,071	35,287,922
State sources	45,348,349	45,851,735	46,819,361	48,740,340	54,300,614
Federal sources	2,305,103	2,909,646	3,004,703	2,794,558	4,034,063
Incoming transfers	1,455,956	1,058,343	785,414	1,653,376	2,508,465
Intermediate sources	-	-	-	-	-
Total revenues	78,062,541	80,137,854	81,244,901	85,968,345	96,131,064
Expenditures					
Current:					
Instruction	37,464,977	38,755,363	40,301,250	42,263,279	46,415,824
Supporting services	24,335,962	24,966,073	26,624,934	27,331,207	28,304,690
Food service activities	3,123,578	3,714,902	3,815,111	4,006,994	4,059,605
Athletic activities	1,083,599	1,259,013	1,275,175	1,371,033	1,463,494
Community service activities	-	-	-	-	2,662,028
Outgoing transfers and other transactions	1,098,803	1,177,189	772,827	396,435	499,095
Capital outlay	23,047,086	19,293,562	4,046,150	2,648,561	3,736,004
Arbitrage interest	-	-	-	113,000	-
Debt service:					
Principal repayment	3,748,542	5,423,576	4,249,703	4,377,247	5,011,462
Interest expense	4,717,650	3,657,874	4,178,111	3,986,883	4,061,185
Payment to refunded bond escrow	-	-	-	-	-
Bond issuance costs	-	-	-	-	63,585
Other expense	5,025	5,025	5,911	4,575	863
Total expenditures	98,625,222	98,252,577	85,269,172	86,499,214	96,277,835
Excess of revenues over (under) expenditures	(20,562,681)	(18,114,723)	(4,024,271)	(530,869)	(146,771)
Other Financing Sources (Uses)					
Proceed from issuance of bonds	525,365	-	-	-	10,595,860
Proceed from bond refunding	-	-	-	-	-
Bond premium	-	-	-	-	-
Bond discount	-	-	-	-	(100,000)
Payment to refunded bond escrow account	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Proceeds sale of fixed assets	-	-	-	-	-
Operating transfers from other funds	1,191,940	1,367,973	1,449,263	1,552,937	1,443,392
Operating transfers to other funds	(1,219,188)	(1,342,674)	(1,443,120)	(1,341,005)	(1,443,392)
Retroactive payroll adjustments (union contract)	-	-	-	-	-
Proceeds of capital lease	1,307,350	252,496	688,304	1,062,820	-
Other	(328,679)	(986)	(1,559)	-	-
Total other financing sources (uses)	1,476,788	276,809	692,888	1,274,752	10,495,860
Net change in fund balance	<u>\$ (19,085,893)</u>	<u>\$(17,837,914)</u>	<u>\$ (3,331,383)</u>	<u>\$ 743,883</u>	<u>\$ 10,349,089</u>
Debt service as a percentage of noncapital expenditures	11.2%	11.5%	10.4%	10.0%	9.9%

¹ Years 2003-2007 continue on following page.

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Financial Trends
Changes in Fund Balances - Governmental Funds
1998-2007 (Continued from previous page)

	Fiscal Year				
Revenues	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Local sources:					
Property taxes	\$ 31,067,165	\$ 32,863,991	\$ 35,910,721	\$38,843,326	\$42,491,822
Tuition	1,454,597	1,500,261	1,594,985	1,475,637	1,583,563
Investment earnings	344,627	167,568	639,026	1,542,525	1,874,302
Food sales, athletics, and community service	2,830,253	3,086,384	2,943,600	2,871,154	2,757,157
Other	1,530,994	1,951,742	2,016,484	2,558,857	3,757,861
Total local sources	37,227,636	39,569,946	43,104,816	47,291,499	52,464,705
State sources	53,687,916	51,954,916	49,453,814	48,712,679	48,439,784
Federal sources	4,184,539	5,051,030	5,075,636	5,123,481	4,639,111
Incoming transfers	1,407,885	1,084,811	2,060,965	1,698,542	1,851,115
Intermediate sources	966,080	707,726	407,829	319,800	219,586
Total revenues	97,474,056	98,368,429	100,103,060	103,146,001	107,614,301
Expenditures					
Current:					
Instruction	46,963,221	46,976,560	48,866,737	50,532,479	50,739,011
Supporting services	29,383,342	30,000,627	31,735,208	32,870,762	32,143,323
Food service activities	4,355,098	4,479,408	4,528,824	4,538,296	4,664,466
Athletic activities	1,526,932	1,508,246	1,504,280	1,561,165	1,499,902
Community service activities	3,065,674	3,172,214	2,494,916	1,987,106	2,214,096
Outgoing transfers and other transactions	627,937	736,924	638,434	448,743	328,135
Capital outlay	5,515,073	2,457,439	1,935,850	7,243,427	8,882,205
Arbitrage interest	-	-	-	-	-
Debt service:					
Principal repayment	5,417,985	5,454,243	6,912,646	7,885,249	8,615,860
Interest expense	3,946,018	3,676,213	3,227,403	3,304,689	2,934,039
Payment to refunded bond escrow	-	153,846	204,844	-	-
Bond issuance costs	-	80,913	90,124	-	69,952
Other expense	2,587	31,489	140,406	38,543	39,437
Total expenditures	100,803,867	98,728,122	102,279,672	110,410,459	112,130,426
Excess of revenues over (under) expenditures	(3,329,811)	(359,693)	(2,176,612)	(7,264,458)	(4,516,125)
Other Financing Sources (Uses)					
Proceed from issuance of bonds	-	4,000,000	11,000,000	-	9,870,000
Proceed from bond refunding	-	12,720,000	11,110,000	-	-
Bond premium	-	125,712	681,267	-	100,511
Bond discount	-	-	-	-	-
Payment to refunded bond escrow account	-	(12,743,558)	(11,692,578)	-	-
Bond issuance costs	-	(33,337)	(59,180)	-	-
Proceeds sale of fixed assets	-	83,708	32,253	-	34,430
Operating transfers from other funds	1,478,932	1,500,965	1,417,564	1,828,411	2,012,113
Operating transfers to other funds	(1,478,932)	(1,500,965)	(1,417,564)	(1,828,411)	(2,012,113)
Retroactive payroll adjustments (union contract)	-	-	-	-	-
Proceeds of capital lease	-	-	-	-	-
Other	-	-	-	-	-
Total other financing sources (uses)	-	4,152,525	11,071,762	-	10,004,941
Net change in fund balance	\$ (3,329,811)	\$ 3,792,832	\$ 8,895,150	\$ (7,264,458)	\$ 5,488,816
Debt service as a percentage of noncapital expenditures	9.8% 99	9.8%	10.5%	10.9%	11.3%

TRAVERSE CITY AREA PUBLIC SCHOOLS
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Statement of Expenses and Operating Transfers by Function - Government-Wide
2003-2007 ¹

Governmental Activities:	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Expenses					
Instruction	\$ 46,890,132	\$ 46,915,972	\$ 48,823,122	\$ 50,833,381	\$ 50,700,895
Supporting Services	29,369,284	30,463,216	32,394,692	34,114,152	33,148,544
Community Service Activities	3,071,323	3,174,945	2,512,309	1,987,106	2,175,103
Outgoing Transfers & Other Transactions	262,327	415,524	215,361	410,542	528,327
Food Service	4,387,145	4,489,544	4,539,385	4,556,915	4,685,208
Athletics	1,529,701	1,551,804	1,557,295	1,597,833	1,558,812
Interest on Long-Term Debt	3,936,728	3,642,192	3,331,954	3,183,246	3,014,163
Unallocated Depreciation	4,139,306	3,584,607	3,464,631	3,402,931	3,238,199
Total Governmental Activities	<u>\$ 93,585,946</u>	<u>\$ 94,237,804</u>	<u>\$ 96,838,749</u>	<u>\$ 100,086,106</u>	<u>\$ 99,049,251</u>

¹ Government-wide schedules were not completed prior to the implementation of GASB 34 in 2003.

Source: Compiled by TCAPS Business Office

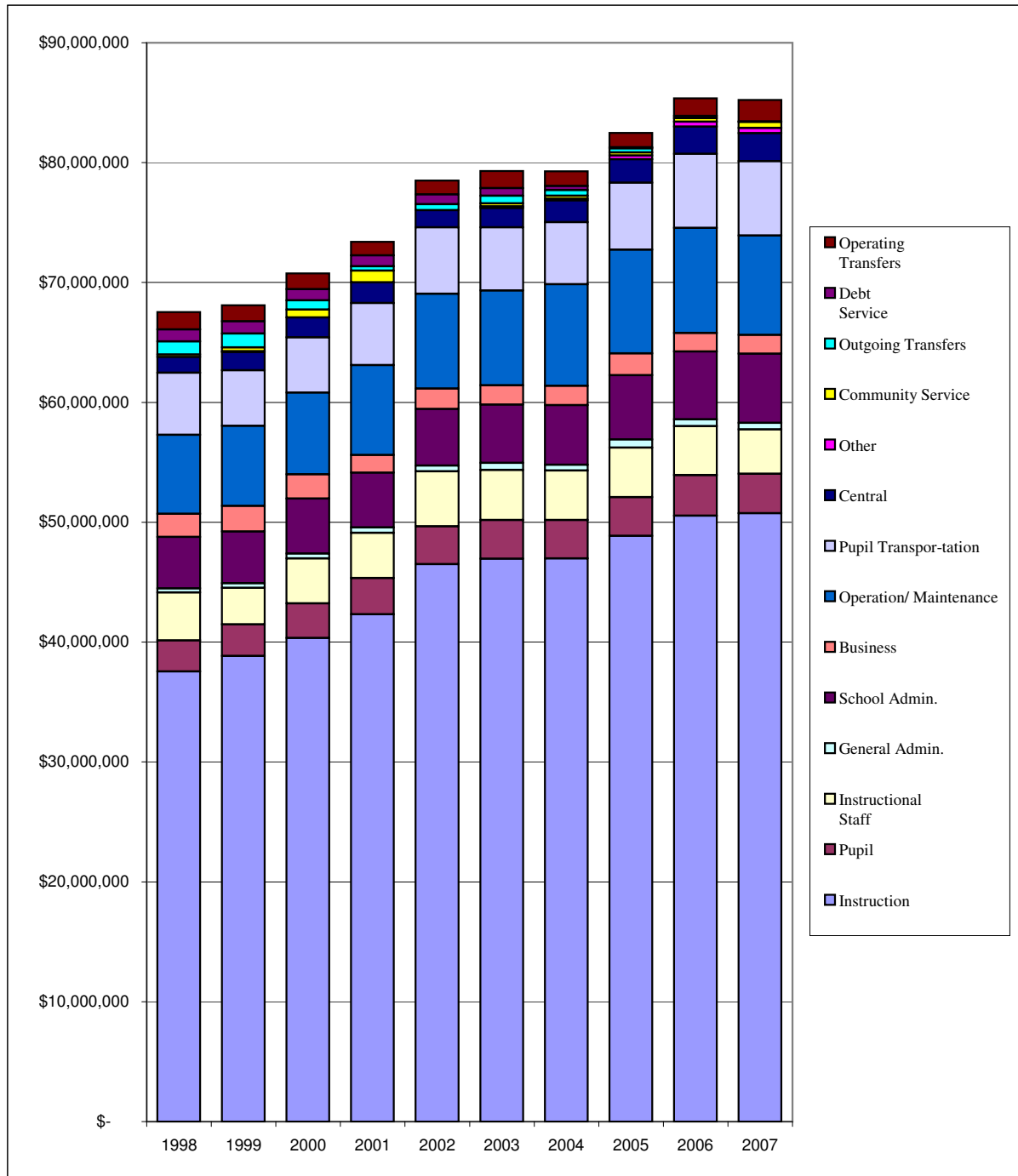
TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Financial Trends
Statement of Revenues by Source - Government-Wide
2003-2007 ¹

Revenues	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Program revenues:					
Charges for services	\$ 5,192,413	\$ 5,468,947	\$ 5,915,391	\$ 5,780,627	\$ 5,727,574
Federal & State Categorical Grants	8,012,590	7,906,016	7,023,234	7,269,914	6,911,725
General Revenues:					
Property Taxes	31,085,269	32,901,884	35,909,932	38,818,094	42,479,858
State Aid - Unrestricted	51,048,922	49,685,396	47,489,558	46,792,354	46,402,687
Other	<u>2,152,966</u>	<u>2,687,616</u>	<u>3,636,580</u>	<u>4,459,780</u>	<u>6,114,923</u>
Total Revenue	<u>\$ 97,492,160</u>	<u>\$ 98,649,859</u>	<u>\$ 99,974,695</u>	<u>\$ 103,120,769</u>	<u>\$ 107,636,767</u>

¹ Government-wide schedules were not completed prior to the implementation of GASB 34 in 2003.

Source: Compiled by TCAPS Business Office

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Financial Trends
General Fund - Expenditures and Operating Transfers by Function
Graphical Representation
1998-2007



TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Financial Trends
General Fund - Expenditures and Operating Transfers by Function
1998-2007

Year Ended June 30	Support Services						
	Instruction	Pupil	Instructional Staff	General Admin.	School Admin.	Business	Operation/ Maintenance
1998	\$37,543,942	\$2,585,644	\$ 4,002,132	\$ 345,882	\$4,288,398	\$1,933,235	\$ 6,580,456
1999	38,851,849	2,634,348	3,027,583	403,874	4,305,819	2,144,610	6,677,950
2000	40,340,670	2,880,781	3,747,701	408,177	4,596,896	2,015,376	6,814,868
2001	42,326,695	3,005,080	3,787,481	444,014	4,557,756	1,481,221	7,504,224
2002	46,490,943	3,155,480	4,597,632	479,155	4,722,171	1,697,620	7,917,240
2003	46,963,221	3,226,913	4,175,087	576,501	4,877,928	1,603,593	7,908,177
2004	46,976,560	3,199,621	4,135,776	487,059	4,956,650	1,632,986	8,466,399
2005	48,866,735	3,210,735	4,149,840	686,215	5,354,659	1,812,196	8,646,837
2006	50,532,479	3,397,580	4,091,337	562,333	5,646,721	1,543,529	8,778,002
2007	50,739,011	3,299,713	3,709,711	542,097	5,758,749	1,568,419	8,305,503

Year Ended June 30	Support Services							
	Pupil Transpor- tation	Central	Other	Community Service	Outgoing Transfers	Debt Service	Operating Transfers	Total Expenditures
1998	\$ 5,179,468	\$1,324,704	\$ -	\$ 207,821	\$1,098,803	\$ 993,106	\$ 1,444,749	\$ 67,528,340
1999	4,629,464	1,530,116	64,012	303,480	1,177,189	1,012,127	1,343,660	68,106,081
2000	4,608,882	1,655,177	5,435	658,272	768,684	940,839	1,311,603	70,753,361
2001	5,182,319	1,722,234	7,960	968,062	367,819	895,760	1,153,593	73,404,218
2002	5,534,396	1,432,656	10,970	-	499,031	817,801	1,143,390	78,498,485
2003	5,273,537	1,596,216	145,390	253,723	627,937	632,165	1,434,894	79,295,282
2004	5,179,813	1,821,744	120,579	255,864	479,971	332,833	1,222,105	79,267,960
2005	5,592,074	1,960,322	322,332	236,950	342,093	84,834	1,218,614	82,484,436
2006	6,180,088	2,279,528	391,644	305,458	176,047	-	1,489,987	85,374,733
2007	6,189,457	2,340,887	428,787	504,123	49,064	-	1,798,130	85,233,651

Source: Compiled by TCAPS Business Office

TRAVERSE CITY AREA PUBLIC SCHOOLS

Comprehensive Annual Financial Report

Financial Trends

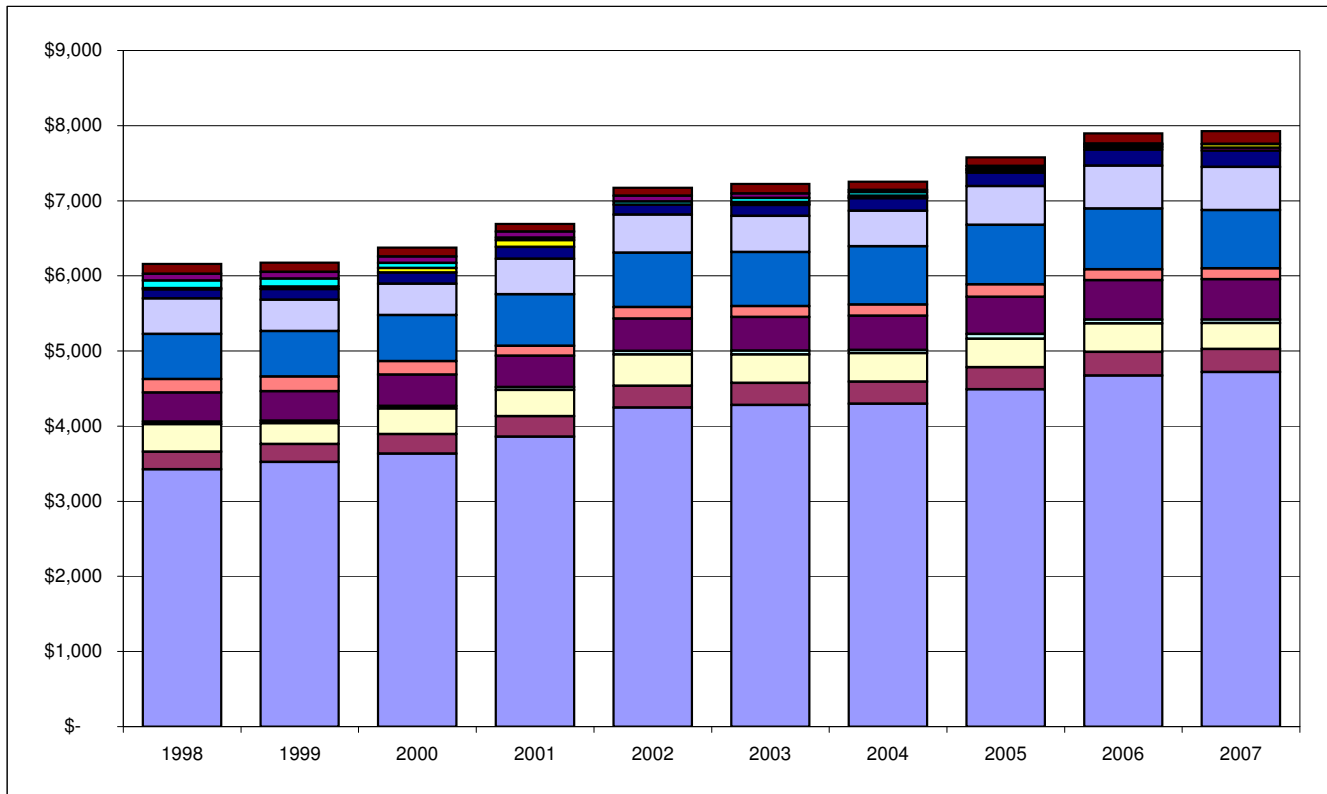
**General Fund - Sources of Expenditures and Operating Transfers as a Percentage of Total Expenditures
1998-2007**

Year Ended June 30	Instruction	Pupil	Instructional Staff	General Admin.	School Admin.	Business
1998	55.60%	3.83%	5.93%	0.51%	6.35%	2.86%
1999	57.05%	3.87%	4.45%	0.59%	6.32%	3.15%
2000	57.02%	4.07%	5.30%	0.58%	6.50%	2.85%
2001	57.66%	4.09%	5.16%	0.60%	6.21%	2.02%
2002	59.23%	4.02%	5.86%	0.61%	6.02%	2.16%
2003	59.23%	4.07%	5.27%	0.73%	6.15%	2.02%
2004	59.26%	4.04%	5.22%	0.61%	6.25%	2.06%
2005	59.24%	3.89%	5.03%	0.83%	6.49%	2.20%
2006	59.19%	3.98%	4.79%	0.66%	6.61%	1.81%
2007	59.53%	3.87%	4.35%	0.64%	6.76%	1.84%
Year Ended June 30	Operation/ Maintenance	Pupil Transportation	Central	Other	Community Service	Outgoing Transfers
1998	9.74%	7.67%	1.96%	0.00%	0.31%	1.63%
1999	9.81%	6.80%	2.25%	0.09%	0.45%	1.73%
2000	9.63%	6.51%	2.34%	0.01%	0.93%	1.09%
2001	10.22%	7.06%	2.35%	0.01%	1.32%	0.50%
2002	10.09%	7.05%	1.83%	0.01%	0.00%	0.64%
2003	9.97%	6.65%	2.01%	0.18%	0.32%	0.79%
2004	10.68%	6.53%	2.30%	0.15%	0.32%	0.61%
2005	10.48%	6.78%	2.38%	0.39%	0.29%	0.41%
2006	10.28%	7.24%	2.67%	0.46%	0.36%	0.21%
2007	9.74%	7.26%	2.75%	0.50%	0.59%	0.06%
Year Ended June 30	Debt Service	Operating Transfers	Total Expenditures and Operating Transfers			
1998	1.47%	2.14%	100.00%			
1999	1.49%	1.97%	100.00%			
2000	1.33%	1.85%	100.00%			
2001	1.22%	1.57%	100.00%			
2002	1.04%	1.46%	100.00%			
2003	0.80%	1.81%	100.00%			
2004	0.42%	1.54%	100.00%			
2005	0.10%	1.48%	100.00%			
2006	0.00%	1.75%	100.00%			
2007	0.00%	2.11%	100.00%			

Source: Compiled by TCAPS Business Office

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Financial Trends

General Fund - Comparison of Per Pupil Expenditures and Operating Transfers by Function ¹
1998-2007

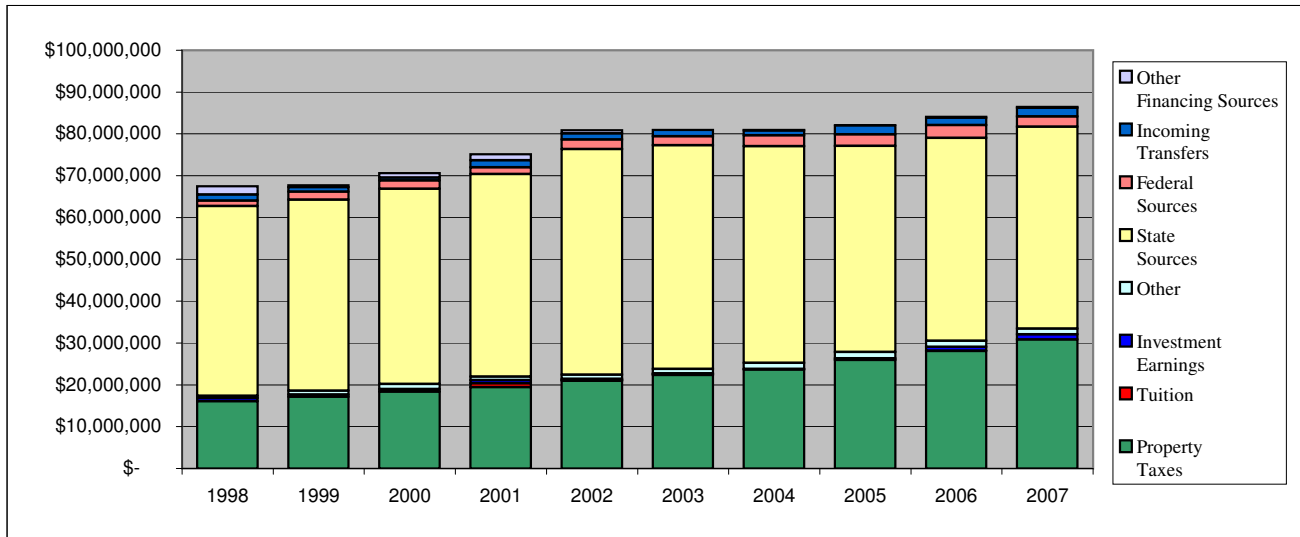


Year Ended June 30	Instruction	Pupil	Instruc-tional Staff	Gen. Admin.	School Admin.	Business	Oper./ Maint.	Pupil Trans.	Central	Other	Comm. Service	Out-going Trans.	Debt Service	Oper. Trans.	Total Expenditures
1998	\$ 3,425	\$ 236	\$ 365	\$ 32	\$ 391	\$ 176	\$ 600	\$ 472	\$ 121	\$ -	\$ 19	\$ 100	\$ 91	\$ 132	\$ 6,160
1999	3,523	239	275	37	390	194	606	420	139	6	28	107	92	122	6,176
2000	3,635	260	338	37	414	182	614	415	149	-	59	69	85	118	6,375
2001	3,859	274	345	40	416	135	684	473	157	1	88	34	82	105	6,693
2002	4,247	288	420	44	431	155	723	506	131	1	-	46	75	104	7,171
2003	4,279	294	380	53	444	146	721	481	145	13	23	57	58	131	7,226
2004	4,299	293	378	45	454	149	775	474	167	11	23	44	30	112	7,254
2005	4,488	295	381	63	492	166	794	514	180	30	22	31	8	112	7,576
2006	4,675	314	378	52	522	143	812	572	211	36	28	16	-	138	7,898
2007	4,718	307	345	50	535	146	772	575	218	40	47	5	-	167	7,925

¹ Expenditures restated on a per pupil basis by using the following formula: Expenditure/current enrollment = per pupil revenue

Source: Compiled by TCAPS Business Office

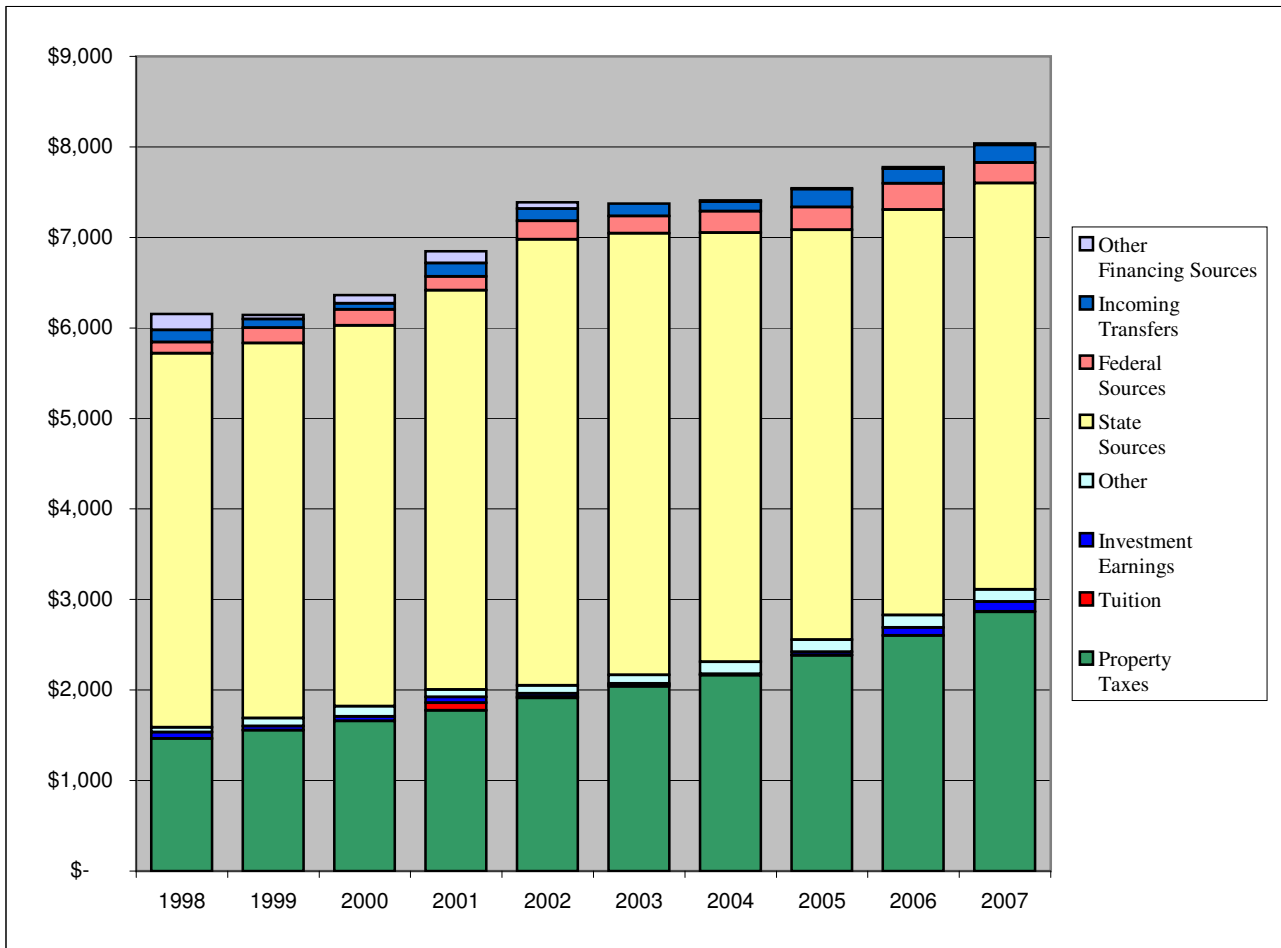
TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Financial Trends
General Fund - Revenues and Other Financing Sources by Source
1998-2007



Year Ended June 30	Property Taxes	Tuition	Investment Earnings	Other	State Sources	Federal Sources	Incoming Transfers	Other Financing Sources	Total Revenues
1998	\$ 16,052,425	\$ -	\$ 748,743	\$ 597,088	\$ 45,304,401	\$ 1,365,312	\$ 1,455,956	\$ 1,935,833	\$ 67,459,758
1999	17,148,856	-	507,217	966,759	45,682,823	1,879,108	1,058,343	495,865	67,738,971
2000	18,389,306	-	577,903	1,220,378	46,707,602	1,954,859	731,854	1,022,003	70,603,905
2001	19,470,602	911,205	726,753	877,005	48,385,468	1,655,069	1,619,960	1,466,490	75,112,552
2002	20,929,104	177,367	352,111	996,954	53,935,209	2,257,777	1,469,913	772,182	80,890,617
2003	22,368,782	192,528	190,138	1,013,898	53,541,485	2,100,166	1,511,061	22,019	80,940,077
2004	23,630,674	45,831	117,837	1,485,225	51,793,293	2,567,010	1,167,088	139,430	80,946,388
2005	25,925,302	49,860	381,637	1,477,339	49,300,008	2,741,346	2,143,242	99,475	82,118,209
2006	28,116,822	22,003	932,273	1,481,946	48,450,477	3,097,615	1,780,819	169,212	84,051,167
2007	30,797,050	23,430	1,199,554	1,431,069	48,298,692	2,424,489	2,070,701	202,810	86,447,795
Sources of Revenues as a Percentage of Total Revenue									
Year Ended June 30	Property Taxes	Tuition	Investment Earnings	Other	State Sources	Federal Sources	Incoming Transfers	Other Financing Sources	Total Revenues
1998	23.80%	0.00%	1.11%	0.89%	67.16%	2.02%	2.16%	2.87%	100.00%
1999	25.32%	0.00%	0.75%	1.43%	67.44%	2.77%	1.56%	0.73%	100.00%
2000	26.05%	0.00%	0.82%	1.73%	66.15%	2.77%	1.04%	1.45%	100.00%
2001	25.92%	1.21%	0.97%	1.17%	64.42%	2.20%	2.16%	1.95%	100.00%
2002	25.87%	0.22%	0.44%	1.23%	66.68%	2.79%	1.82%	0.95%	100.00%
2003	27.64%	0.24%	0.23%	1.25%	66.15%	2.59%	1.87%	0.03%	100.00%
2004	29.19%	0.06%	0.15%	1.83%	63.98%	3.17%	1.44%	0.17%	100.00%
2005	31.57%	0.06%	0.46%	1.80%	60.04%	3.34%	2.61%	0.12%	100.00%
2006	33.45%	0.03%	1.11%	1.76%	57.64%	3.69%	2.12%	0.20%	100.00%
2007	35.63%	0.03%	1.39%	1.66%	55.87%	2.80%	2.40%	0.23%	100.00%

Source: Compiled by TCAPS Business Office

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Financial Trends
General Fund - Comparison of Per Pupil Revenues and other Financing Sources by Source
1998-2007



Year Ended June 30	Property Taxes	Tuition	Investment Earnings	Other	State Sources	Federal Sources	Incoming Transfers	Other Financing Sources	Total Revenues	Student ² Enrollment
1998	\$ 1,464	\$ -	\$ 68	\$ 54	\$ 4,132	\$ 125	\$ 133	\$ 177	\$ 6,153 ¹	10,963
1999	1,555	-	46	88	4,143	170	96	45	6,143 ¹	11,027
2000	1,657	-	52	110	4,209	176	66	92	6,362 ¹	11,098
2001	1,775	83	66	80	4,412	151	148	134	6,849 ¹	10,967
2002	1,912	16	32	91	4,927	206	134	71	7,389 ¹	10,947
2003	2,038	18	17	92	4,879	191	138	2	7,376 ¹	10,974
2004	2,163	4	11	136	4,740	235	107	13	7,408 ¹	10,927
2005	2,381	5	35	136	4,528	252	197	9	7,542 ¹	10,888
2006	2,601	2	86	137	4,482	287	165	16	7,775 ¹	10,810
2007	2,864	2	112	133	4,491	225	193	19	8,038 ¹	10,755

¹ Revenues restated on a per pupil basis by using the following formula: Revenue/current enrollment = per pupil revenue

² Student enrollment figures are taken from year-end state-aid status report.

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Financial Trends
General Fund - History of Fund Equity
Fiscal Years 1998-2007

Fiscal Year	Total expenditures		
	General Fund Equity	and operating transfers	% of General Fund
1998	\$ 6,881,845	\$ 67,528,340	10.19%
1999	6,514,736	68,106,081	9.57%
2000	6,365,280	70,753,361	9.00%
2001	8,073,614	73,404,218	11.00%
2002	10,465,746	78,498,485	13.33%
2003	11,824,045	79,295,282	14.91%
2004	13,368,043	79,267,960	16.86%
2005	12,902,341	82,484,436	15.64%
2006	11,409,563	85,374,733	13.36%
2007	12,623,707	85,223,651	14.81%

Source: Compiled by TCAPS Business Office

**Traverse City Area Public Schools
Comprehensive Annual Financial Report
Statistical Section
2006-2007**

REVENUE & DEBT CAPACITY

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Revenue & Debt Capacity
Property Tax Levies and Collections
Fiscal Years 1997-1998 through 2006-2007

General Fund

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>Original tax levy</u>	<u>Collections, adjustments, and write-offs</u>	<u>Delinquent June 30th</u>	<u>Percent of current taxes collected</u>
1997-1998	1997	\$ 16,048,296	\$ 15,969,768	\$ 78,528	99.51%
1998-1999	1998	17,163,387	17,068,523	94,864	99.45%
1999-2000	1999	18,395,892	18,289,177	106,715	99.42%
2000-2001	2000	19,798,678	19,672,845	125,833	99.36%
2001-2002	2001	21,252,396	21,151,839	100,557	99.53%
2002-2003	2002	22,947,711	22,808,865	138,846	99.39%
2003-2004	2003	23,406,935	23,230,070	176,865	99.24%
2004-2005	2004	25,940,767	25,794,908	145,859	99.44%
2005-2006	2005	28,014,021	27,897,294	116,727	99.58%
2006-2007	2006	30,696,287	30,580,708	115,579	99.62%

Debt Service

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>Original tax levy</u>	<u>Collections, adjustments, and write-offs</u>	<u>Delinquent June 30th</u>	<u>Percent of current taxes collected</u>
1997-1998	1997	\$ 6,870,099	\$ 6,852,430	\$ 17,669	99.74%
1998-1999	1998	6,364,461	6,347,403	17,058	99.73%
1999-2000	1999	6,825,893	6,807,512	18,381	99.73%
2000-2001	2000	7,345,788	7,324,121	21,667	99.71%
2001-2002	2001	7,987,252	7,969,934	17,318	99.78%
2002-2003	2002	8,635,819	8,611,907	23,912	99.72%
2003-2004	2003	9,218,667	9,188,814	29,853	99.68%
2004-2005	2004	9,930,610	9,905,373	25,237	99.75%
2005-2006	2005	10,645,035	10,625,921	19,114	99.82%
2006-2007	2006	11,638,341	11,619,157	19,184	99.84%

Source: Compiled by TCAPS Business Office

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Revenue & Debt Capacity
Assessed and Estimated Actual Value of Taxable Property
1998-2007

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>Assessed Value</u>	<u>Estimated Cash Value</u>
1997-1998	1997	\$ 1,936,327,160	\$ 3,872,654,320
1998-1999	1998	2,350,933,089	4,701,866,178
1999-2000	1999	2,393,994,480	4,787,988,960
2000-2001	2000	2,669,351,137	5,338,702,274
2001-2002	2001	3,044,319,375	6,088,638,750
2002-2003	2002	3,368,018,670	6,736,037,340
2003-2004	2003	4,038,688,324	8,077,376,648
2004-2005	2004	4,387,515,340	8,775,030,680
2005-2006	2005	4,733,682,817	9,467,365,634
2006-2007	2006	5,177,436,013	10,354,872,026

Source: Compiled by TCAPS Business Office

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Revenue & Debt Capacity
Tax Rates - Overlapping
Tax Years 1997 - 2006

NOTE: The school district is restricted by state law "Proposal A - 1994" to a maximum levy of 18 mills on non-homestead properties.

Tax Year	Operating (Mills)	Debt (Mills)	State Education (Mills)	Traverse Bay Area ISD (Mills)	Northwestern Michigan Community College (Mills)	County of Benzie (Mills)	Almira Township (Mills)	County of Leelanau (Mills)	Elmwood Township (Mills)	Solon Township (Mills)	Grand Traverse County (Mills)
1997	17.8866	3.6000	6.0000	2.7932	2.4838	8.2959	4.0995	4.4502	0.7719	0.7664	5.7027
1998	17.8866	3.1000	6.0000	2.7697	2.4612	7.9759	4.0392	4.4048	0.7641	0.7610	5.6508
1999	18.0000	3.1000	6.0000	2.7344	2.4245	7.8525	4.0494	4.3445	0.7552	0.7478	5.5666
2000	18.0000	3.1000	6.0000	3.0459	3.1832	7.6995	3.9451	4.2483	0.7402	0.7348	5.4719
2001	18.0000	3.1000	6.0000	3.0302	3.1487	7.6232	2.6425	4.1752	0.7316	0.6984	5.3931
2002	18.0000	3.1000	6.0000	3.0149	3.1152	7.6411	3.8486	4.0795	0.7229	0.6836	5.3165
2003	18.0000	3.1000	5.0000	2.9929	3.0693	7.5969	3.7660	3.9648	0.7078	0.6511	5.2112
2004	18.0000	3.1000	6.0000	2.9732	2.8324	7.5389	3.7626	3.8518	0.6970	0.6525	5.1267
2005	18.0000	3.1000	6.0000	2.9589	2.9427	7.2353	3.6818	3.7635	1.3687	0.6340	5.0815
2006	18.0000	3.1000	6.0000	2.9421	2.9138	7.5692	3.6062	3.6569	0.6806	0.6229	5.0154

Tax Year	Medical Care (Mills)	BATA (Mills)	District Library (Mills)	Council on Aging (Mills)	Acme Township (Mills)	Blair Township (Mills)	East Bay Township (Mills)	Garfield Township (Mills)	Grant Township (Mills)	Green Lake Township (Mills)	Long Lake Township (Mills)
1997	0.7551	-	1.4229	0.1854	0.9098	4.9620	0.8607	2.4027	0.9929	0.9095	0.8116
1998	0.7482	0.1800	1.2410	0.1837	0.9081	5.0485	0.8486	2.3256	0.9826	2.1011	0.8056
1999	0.7370	0.1774	1.3430	0.2955	0.8994	4.8996	0.8314	2.2667	0.9677	2.0769	0.7935
2000	0.7244	0.1740	1.1760	0.2904	0.8810	4.8645	0.8156	2.2018	0.9231	2.0440	0.7796
2001	0.7139	0.1713	1.2500	0.2862	0.8802	4.8294	0.8042	2.1168	0.8912	1.9961	0.7625
2002	0.7037	0.1683	1.2691	0.2820	0.8584	4.8112	0.7931	3.0416	0.8870	0.7950	0.7400
2003	0.6897	0.3500	1.2290	0.2763	0.8506	4.7649	0.7750	2.9275	0.8744	2.2756	0.7240
2004	0.6785	0.3428	1.1957	0.2718	0.7967	4.8439	0.7610	2.8584	0.8299	2.1964	0.7132
2005	0.6725	0.3380	1.1590	0.4955	0.7967	4.8439	0.7437	2.8584	0.7801	2.1612	0.7012
2006	0.6637	0.3317	1.1029	0.4890	0.7706	4.7650	0.7378	3.3584	0.7553	2.1062	0.6922

Tax Year	Peninsula Township (Mills)	Union Township (Mills)	Whitewater Township (Mills)	City of Traverse City (Mills)
1997	3.0404	0.9213	0.7252	13.7575
1998	3.3139	0.9192	0.7206	13.7575
1999	4.1431	0.9015	0.7041	13.7575
2000	3.2024	0.8898	0.6898	13.6199
2001	2.8552	0.8534	0.6748	13.5447
2002	3.7236	0.8275	0.6596	13.3943
2003	3.8519	0.8039	0.6475	13.2295
2004	3.7843	0.8039	0.6259	13.2295
2005	3.5566	0.8039	0.6168	13.2295
2006	3.5401	0.7944	0.6090	13.1765

Source: Information provided by individual townships and counties; compiled by TCAPS Business Office

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Revenue & Debt Capacity
Ratio of Net General Bonded Debt Outstanding to Assessed Value
and Net Bonded Debt Per Capita
1998-2007

Fiscal Year	Tax Year	Population ¹ (Estimated)	Assessed Valuation	Gross Bonded Debt	Debt Service Monies Available	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1997-1998	1997	68,647	\$1,936,327,160	\$ 82,095,000	\$ 2,607,396	\$ 79,487,604	4.11%	\$ 1,158
1998-1999	1998	70,113	2,350,933,089	82,062,557	1,222,022	80,840,535	3.44%	1,153
1999-2000	1999	71,409	2,393,994,480	78,663,154	961,965	77,701,189	3.25%	1,088
2000-2001	2000	72,644	2,669,351,137	75,098,125	1,247,522	73,850,603	2.77%	1,017
2001-2002	2001	74,394	3,044,319,375	80,817,199	1,276,747	79,540,452	2.61%	1,069
2002-2003	2002	75,461	3,368,018,670	77,878,402	1,296,066	76,582,336	2.27%	1,015
2003-2004	2003	76,365	4,038,688,324	74,842,199	1,632,283	73,209,916	1.81%	959
2004-2005	2004	77,350	4,387,515,340	78,597,199	1,449,314	77,147,885	1.76%	997
2005-2006	2005	77,654	4,733,682,817	70,711,950	1,299,981	69,411,969	1.47%	894
2006-2007	2006	79,866	5,177,436,013	72,561,951	2,326,376	70,235,575	1.36%	879

¹ Source - Northwest Michigan Council of Governments Website

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Revenue & Debt Capacity
Ratio of Net General Bonded Debt Outstanding
1998-2007

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Monies Restricted for Debt Service</u>	<u>Net Bonded Debt</u>	<u>Percentage of Taxable Value ¹</u>	<u>Per Capita ²</u>
1997 - 1998	\$ 82,095,000	\$ 2,607,396	\$ 79,487,604	4.17%	\$ 1,158
1998 - 1999	80,760,000	1,222,022	79,537,978	3.87%	1,134
1999 - 2000	77,480,000	961,965	76,518,035	3.48%	1,072
2000 - 2001	74,040,000	1,247,522	72,792,478	3.08%	1,002
2001 - 2002	79,890,000	1,276,747	78,613,253	3.06%	1,057
2002 - 2003	75,055,000	1,296,066	73,758,934	2.66%	977
2003 - 2004	73,915,000	1,632,283	72,282,717	2.45%	947
2004 - 2005	77,670,000	1,449,314	76,220,686	2.38%	985
2005 - 2006	69,855,000	1,299,981	68,555,019	2.01%	883
2006 - 2007	71,705,000	2,326,376	69,378,624	1.85%	869

¹ Property Taxable Value data provided in Demographic & Economic Information -
Property Value & Construction Schedule

² Population data provided in Demographic & Economic Information -
School District Demographic Statistics Schedule

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Revenue & Debt Capacity
Ratio of Net Debt Outstanding by Type
1998-2007

Fiscal Year	General Obligation Bonds	Limited Obligation Bonds ²	Notes Payable	Capital Leases	Monies Restricted for Debt Service	Total Net Outstanding Debt	Percentage of Personal Income ¹	Per Capita ¹
1997 - 1998	\$ 82,095,000	\$ -	\$ 893,994	\$ 1,390,226	\$ 2,607,396	\$ 81,771,824	4.82%	\$ 1,191
1998 - 1999	80,760,000	1,302,557	543,851	1,078,053	1,222,022	82,462,439	4.47%	1,176
1999 - 2000	77,480,000	1,183,154	669,765	790,138	961,965	79,161,092	3.95%	1,109
2000 - 2001	74,040,000	1,058,125	1,347,452	363,097	1,247,522	75,561,152	3.61%	1,040
2001 - 2002	79,890,000	927,199	1,470,531	105,205	1,276,747	81,116,188	3.72%	1,090
2002 - 2003	75,055,000	927,199	992,751	-	1,494,686	75,480,264	3.45%	1,000
2003 - 2004	73,915,000	927,199	678,506	-	1,930,213	73,590,492	3.24%	964
2004 - 2005	77,670,000	927,199	595,860	-	1,846,554	77,346,505	3.28%	1,000
2005 - 2006	69,855,000	856,951	595,860	-	1,299,981	70,007,829	2.88%	9,147
2006 - 2007	71,705,000	856,951	-	-	2,326,376	70,235,574	2.53%	879

¹ Personal Income and Population data provided in Demographic & Economic Information -
School District Demographic Statistics Schedule

²

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the State Aid Payments directly to the Authority's Depository.

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Revenue & Debt Capacity
Legal Debt Margin information
1998-2007

Legal Debt Margin Calculation for Fiscal Year 2007

Assessed Value	\$ 5,177,436,013
Debit limit (15% of assessed value)	776,615,402
Debt applicable to limit:	
General obligation bonds	71,705,000
Less: Amount set aside for repayment of general obligation debt	<u>(2,326,376)</u>
Total net debt applicable to limit	<u>69,378,624</u>
Legal debt margin	<u><u>\$ 707,236,778</u></u>

	Fiscal Year				
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Debt Limit	\$ 290,449,074	\$ 352,639,963	\$ 359,099,172	\$ 400,402,671	\$ 456,647,906
Total net debt applicable to limit	<u>79,487,604</u>	<u>79,537,978</u>	<u>76,518,035</u>	<u>72,792,478</u>	<u>78,613,253</u>
Legal debt margin	<u><u>\$ 210,961,470</u></u>	<u><u>\$ 273,101,985</u></u>	<u><u>\$ 282,581,137</u></u>	<u><u>\$ 327,610,193</u></u>	<u><u>\$ 378,034,653</u></u>
Total net debt applicable to the limit as a percentage of debt limit	27.37%	22.56%	21.31%	18.18%	17.22%

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Debt Limit	\$ 505,202,801	\$ 605,803,249	\$ 658,127,301	\$ 710,052,423	\$ 776,615,402
Total net debt applicable to limit	<u>73,758,934</u>	<u>72,282,717</u>	<u>76,220,686</u>	<u>68,555,019</u>	<u>69,378,624</u>
Legal debt margin	<u><u>\$ 431,443,867</u></u>	<u><u>\$ 533,520,532</u></u>	<u><u>\$ 581,906,615</u></u>	<u><u>\$ 641,497,404</u></u>	<u><u>\$ 707,236,778</u></u>
Total net debt applicable to the limit as a percentage of debt limit	14.60%	11.93%	11.58%	9.65%	8.93%

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Revenue & Debt Capacity
Schedule of Direct and Overlapping Debt
3/31/2007

Direct Debt	Debt Outstanding	Percent Applicable to School District	Amount Applicable to School District	Debt Principal Per Capita (Pop 79,866)	Percent of STV¹
General Obligation Bonds	\$ 79,725,000	100.00%	\$ 79,725,000	\$ 998	2.12%
QZAB Installment Purchase	297,930	100.00%	297,930	4	0.01%
Total Direct Debt	80,022,930		80,022,930	1,002	2.13%
Overlapping Debt ²					
Traverse City	29,497,501	100.00%	29,497,501	369	0.79%
Acme Township	5,309,937	88.51%	4,699,825	59	0.13%
Blair Township	11,250,000	95.23%	10,713,375	134	0.29%
East Bay Township	9,185,666	100.00%	9,185,666	115	0.24%
Elmwood Township	3,230,724	91.21%	2,946,743	37	0.08%
Garfield Township	18,402,998	100.00%	18,402,998	230	0.49%
Peninsula Township	14,355,174	100.00%	14,355,174	180	0.38%
Whitewater Township	200,000	0.36%	720	0	0.00%
Benzie County	2,265,000	3.16%	71,574	1	0.00%
Grand Traverse County	36,540,000	88.70%	32,410,980	406	0.86%
Leelanau County	6,600,000	13.78%	909,480	11	0.02%
Northwestern Community College	33,310,000	88.70%	29,545,970	370	0.79%
Traverse Area District Library	5,865,000	88.75%	5,205,188	65	0.14%
Traverse City-Garfield Recreational Authority	6,465,000	100.00%	6,465,000	81	0.17%
Total Overlapping Debt	182,477,000		164,410,194	2,059	4.38%
Total Direct and Overlapping Debt	\$ 262,499,930		\$ 244,433,124	\$ 3,061	6.51%

¹ 2006 Taxable Value equal to \$3,753,717,574

² Overlapping debt amounts provided by Municipal Advisory Council of Michigan

Source: Municipal Advisory Council of Michigan

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Revenue & Debt Capacity
Taxable Valuation of Property Assessed in School District
1998-2007

Tax Year	Valuation			Tax Levy (Mills)		
				Operating		Debt
	Homestead	Non-Homestead	Total	Homestead	Non-Homestead	
1998	\$ 1,010,951,514	\$ 897,196,314	\$ 1,908,147,828	6.00	17.8866	3.60
1999	1,093,566,624	959,482,575	2,053,049,199	6.00	18.0000	3.10
2000	1,176,579,216	1,025,306,158	2,201,885,374	6.00	18.0000	3.10
2001	1,275,340,092	1,089,803,642	2,365,143,734	6.00	18.0000	3.10
2002	1,398,054,269	1,174,745,121	2,572,799,390	6.00	18.0000	3.10
2003	1,523,890,201	1,245,626,065	2,769,516,266	6.00	18.0000	3.10
2004	1,618,820,315	1,327,173,681	2,945,993,996	6.00	18.0000	3.10
2005	1,729,811,323	1,441,954,239	3,171,765,562	6.00	18.0000	3.10
2006	1,860,270,180	1,556,595,184	3,416,865,364	6.00	18.0000	3.10
2007	2,023,754,550	1,729,963,024	3,753,717,574	6.00	18.0000	3.10

Ad valorem property taxes are assessed on the basis of taxable value, which is subject to assessment caps. This is different than state equalized value, which was the method for assessing ad valorem property taxes prior to 1994. State equalized value was an amount equal to 50% of true cash value.

Source: Compiled by TCAPS Business Office

**Traverse City Area Public Schools
Comprehensive Annual Financial Report
Statistical Section
2006-2007**

DEMOGRAPHIC & ECONOMIC INFORMATION

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Demographic & Economic Information
Employment by Classification
2003-2007 ¹

School Year	Number of Staff			Total
	Instructional Employees	Administrative Employees	Support/ Non-Instructional Employees	
2002-2003	644	76	756	1,476
2003-2004	664	81	788	1,533
2004-2005	667	86	775	1,528
2005-2006	670	82	770	1,522
2006-2007	642	78	698	1,418

¹ This data provided by TCAPS Human Resource Department and is only available for the past five years.

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Demographic & Economic Information
School District Demographic Statistics
1998-2007

<u>Fiscal Year</u>	<u>Population¹</u>	<u>Personal Income¹ (Thousands)</u>	<u>Per Capita Income¹</u>	<u>% of Michigan¹</u>	<u>% of U.S.¹</u>	<u>Unemployment Rate¹</u>
1997-1998	68,647	1,695,571	24,700	97.35%	97.54%	3.4%
1998-1999	70,113	1,842,769	26,283	97.64%	97.74%	3.3%
1999-2000	71,409	2,001,850	28,034	99.80%	100.34%	3.6%
2000-2001	72,644	2,094,829	28,837	97.60%	96.67%	4.7%
2001-2002	74,394	2,178,333	29,281	97.80%	95.76%	5.7%
2002-2003	75,461	2,184,739	28,952	96.32%	94.02%	6.1%
2003-2004	76,365	2,268,171	29,702	95.31%	94.37%	6.5%
2004-2005	77,350	2,358,898	30,296	94.36%	94.72%	5.6%
2005-2006	77,654	2,694,009	32,089	97.82%	93.09%	5.9%
2006-2007	79,866 ²	2,780,217 ²	32,679 ²	96.36% ²	91.01% ²	6.9%

Source: Northwest Michigan Council of Governments Website

¹ Unemployment rate for 2006-2007 = YTD 07/31/07;
Previous years = Calendar Annual Average

² Estimated

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Demographic & Economic Information
Property Value and Construction
1997-2006

Fiscal Year	Tax Year	Valuation			New Residential Building Permits ¹	
		Homestead	Non-Homestead	Total	Number	Value
1997-1998	1997	\$ 1,010,951,514	\$ 897,196,314	\$ 1,908,147,828	797	\$ 85,464,971
1998-1999	1998	1,093,566,624	959,482,575	2,053,049,199	878	103,288,545
1999-2000	1999	1,176,579,216	1,025,306,158	2,201,885,374	1142	139,313,343
2000-2001	2000	1,275,340,092	1,089,803,642	2,365,143,734	896	125,752,590
2001-2002	2001	1,398,054,269	1,174,745,121	2,572,799,390	796	97,223,100
2002-2003	2002	1,523,890,201	1,245,626,065	2,769,516,266	847	110,523,825
2003-2004	2003	1,618,820,315	1,327,173,681	2,945,993,996	988	125,537,857
2004-2005	2004	1,729,811,323	1,441,954,239	3,171,765,562	909	135,457,065
2005-2006	2005	1,860,270,180	1,556,595,184	3,416,865,364	1079	129,927,448
2006-2007	2006	2,023,754,550	1,729,963,024	3,753,717,574	1313	149,915,451

¹ Grand Traverse and Leelanau Counties

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Demographic & Economic Information
Principal Taxpayers
2006

Principal Taxpayer	Product/Service	Taxable Valuation and Industrial Facilities Tax Valuation	
		Total	Percent of Total
Grand Traverse Band of Ottawa Indians	Resort	\$ 20,248,189	0.54%
Great Wolf Lodge of TC LLC	Lodge	20,058,600	0.54%
Grand Traverse Crossing Shopping	Retail Shopping Mall	15,727,620	0.42%
Consumers Energy	Utility	15,673,907	0.42%
Sara Lee Corp.	Frozen Foods	14,351,450	0.38%
Michigan Consolidated Gas (DTE Energy)	Utility	13,840,395	0.37%
Grand Traverse Mall, Ltd.	Retail Shopping Mall	13,223,700	0.35%
Carpenter Enterprises LTD	Automotive	11,787,760	0.31%
GDO Investments	Investments	10,957,693	0.29%
Dobson Cellular Systems, Inc.	Communications	9,443,274	0.25%
Subtotal		145,312,588	3.87%
All Others		3,608,404,986	96.13%
Totals		<u>\$ 3,753,717,574</u>	<u>100.00%</u>

Source: Grand Traverse, Leelanau, and Benzie Counties

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Demographic & Economic Information
Principal Employers in the District (Top 10)
2005 - 2007

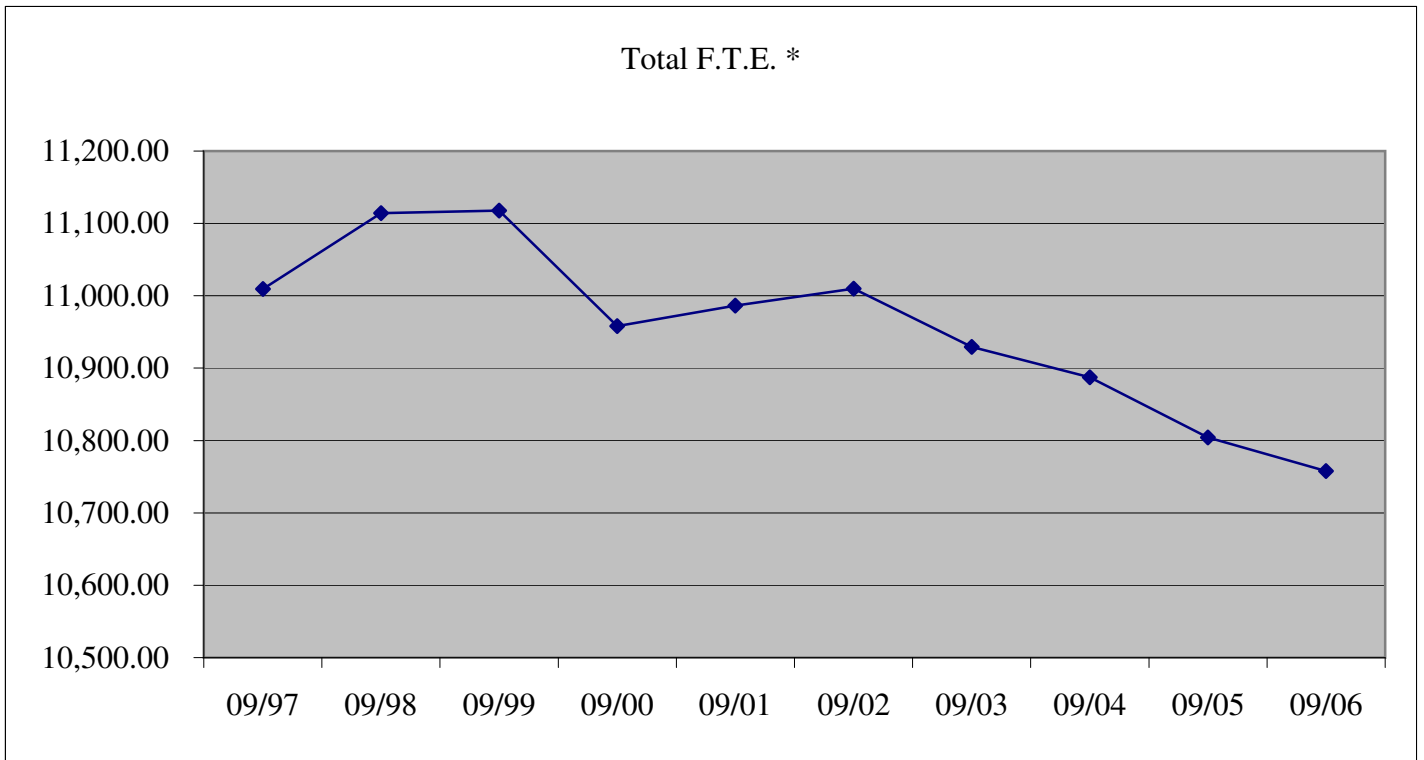
Employer	Product/Service	Number Employed		
		2004/2005	2005/2006	2006/2007
Munson Medical Center	Health Care	3,000	4,000	2,221
Traverse City Area Public Schools	Education	1,513	1,457	1,485
Traverse Bay Entertainment	Gaming	1,200	1,200	1,200
Interlochen Center for the Arts	Education	350-1,200	350-1,200	350-1,200
Nish-Nah-Bee	Automotive Parts	500-999	500-999	500-999
Grand Traverse Resort	Resort	600-900	600-900	600-900
Sara Lee Bakeries	Frozen Food	583	616	640
Northwestern Michigan Community College	Education	600	623	623
Traverse Bay ISD	Education	585	600	600
Cherry Growers Inc	Fruit Canning	225-600	225-600	225-600

Source: Michigan Manufacturers Directory and individual employers

Information from the previous seven years is not available.

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Demographic & Economic Information
School District Full-Time Equated (F.T.E.)
1998-2007

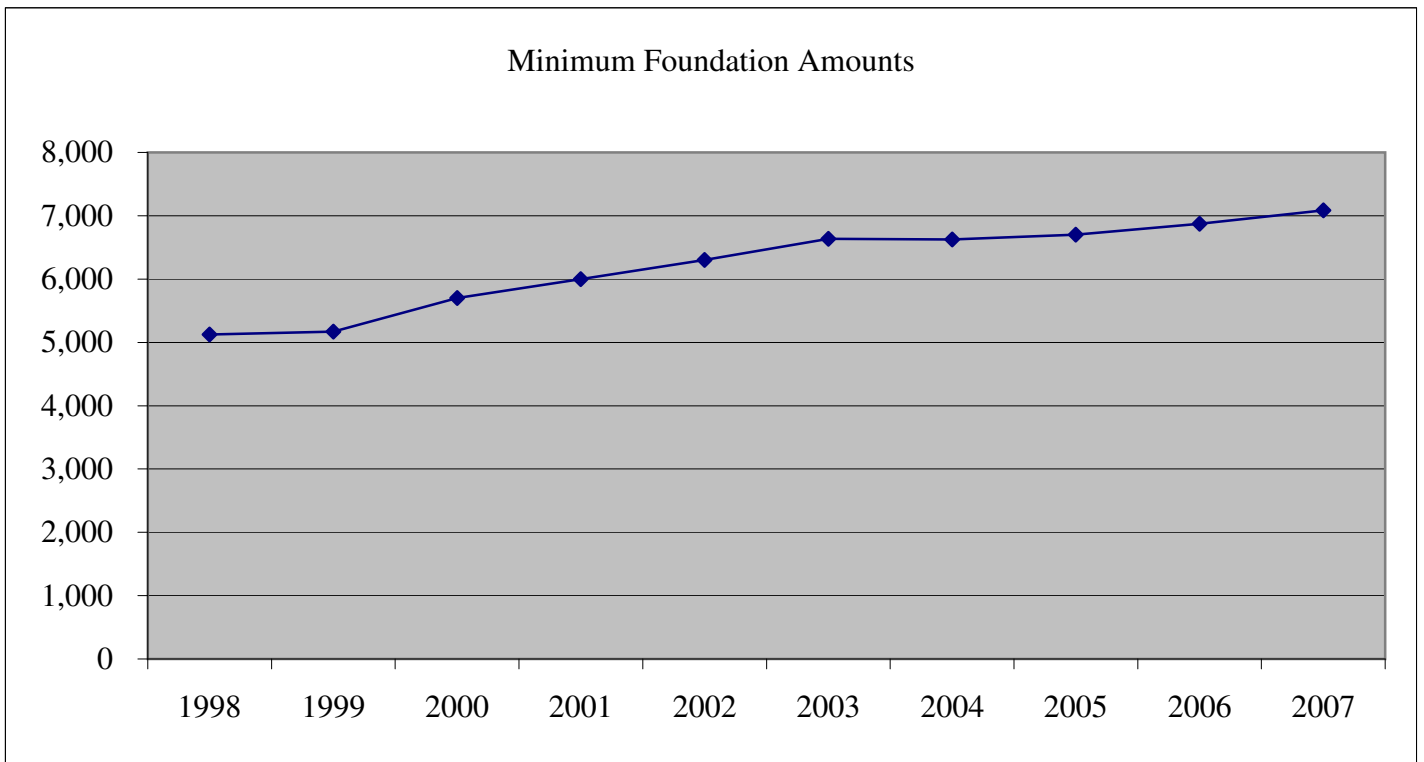
School Year	Total F.T.E. *
09/97	11,009.20
09/98	11,114.33
09/99	11,117.84
09/00	10,957.91
09/01	10,986.36
09/02	11,009.94
09/03	10,929.25
09/04	10,887.54
09/05	10,804.35
09/06	10,757.72



* Enrollment as of fall count day converted to a full time equivalent basis. This count includes shared time and early childhood programs.

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Demographic & Economic Information
History of Foundation Allowance
Fiscal Years 1998-2007

School Year	Minimum Foundation Amounts
1998	5,124
1999	5,170
2000	5,700
2001	6,000
2002	6,300
2003	6,635
2004	6,626
2005	6,700
2006	6,875
2007	7,085



Source: Michigan Department of Education; compiled by TCAPS Business Office

**Traverse City Area Public Schools
Comprehensive Annual Financial Report
Statistical Section
2006-2007**

OPERATIONAL INFORMATION

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Operational Information
Insurance Coverage Data
Fiscal Year 2006-2007

Location	Structure ¹	Contents ¹	Playground Lighting, Signage & PIO ¹	Technology Data & Voice ²
Traverse City High School	\$ 4,927,667	\$ 283,328	\$ 49,838	\$ 121,025
Central High School	38,590,760	1,051,390	368,578	708,125
West Sr. High School	30,441,038	763,728	206,000	533,025
East Jr. High	22,826,890	1,378,439	164,800	496,975
West Jr. High	25,657,395	1,856,497	277,704	373,375
Bertha Vos Elementary	4,365,635	189,579	27,051	105,060
Blair Elementary	5,444,963	209,435	67,283	105,060
Central Grade Elementary	17,561,119	441,309	28,069	151,410
Cherry Knoll Elementary	6,045,350	266,223	63,728	105,060
Courtade Elementary	5,444,963	226,276	55,746	89,610
Eastern Elementary	4,439,998	235,459	37,770	110,210
Glenn Loomis Elementary	6,036,725	239,862	52,735	99,910
Interlochen Elementary	4,821,644	245,582	39,767	115,360
Long Lake Elementary	5,017,706	234,015	48,471	99,910
Norris Elementary	4,567,733	217,772	47,205	89,610
Oak Park Elementary	4,996,912	201,857	39,948	94,760
Old Mission Elementary	4,326,000	247,200	53,230	154,500
Sabin Elementary	5,391,057	-	21,372	22,660
Silver Lake Elementary	5,444,963	206,822	60,306	110,210
Traverse Heights Elementary	7,500,000	350,000	75,000	250,000
Westwoods Elementary	5,449,281	238,094	53,178	182,310
Willow Hill Elementary	4,740,895	220,082	8,254	84,460
Boardman Administration Bldg.	2,481,742	742,667	-	218,360
Bus Garage	1,766,910	174,061	-	267,800
Operations Building	1,307,745	147,659	-	1,564,570
Coast Guard Soccer Fields	1,410,369	-	141,110	-
Thirlby Field	1,312,179	385,363	13,493	-
	<u>\$ 232,317,639</u>	<u>\$ 10,752,699</u>	<u>\$ 2,000,636</u>	<u>\$ 6,253,355</u>
<u>Total Real & Personal Property</u>				<u><u>\$ 251,324,329</u></u>

¹ Values based on Appraisal dated June 30, 2002, plus adjustments.

² Values based on physical inventory June 30, 2005, plus adjustments.

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Operational Information
Summary of Owned Buildings and Sites
June 30, 2007

Building	Year of Construction or Purchase	Number of Stories	Square Footage	Acreage	Number of Classrooms	Number of Students
INSTRUCTIONAL						
<u>Elementary Schools</u>						
Bertha Vos Elementary	1953	one	33,647	6.0	12	295
Blair Elementary	1990	one	42,000	110.0	13	345
Central Grade Elementary	1922	two	143,550	4.4	27	706
Cherry Knoll Elementary	1956	one	44,952	4.1	13	377
Courtade Elementary	1991	one	42,000	16.0	14	302
Eastern Elementary	1957	one	34,226	12.0	13	328
Glenn Loomis Elementary	1957	one	46,537	4.6	13	295
Interlochen Elementary	1950	one	37,192	5.0	13	316
Long Lake Elementary	1958	one	38,648	45.0	14	290
Norris Elementary	1949	one	35,161	5.3	10	274
Oak Park Elementary	1950	one	36,000	3.5	9	-
Old Mission Elementary	1956	one	33,886	9.0	10	208
Sabin Elementary	1949	one	40,829	8.2	10	-
Silver Lake Elementary	1987	one	42,000	15.0	12	356
Traverse Heights Elementary	1950	one	36,560	14.0	12	250
Westwoods Elementary	1990	one	42,000	16.1	17	399
Willow Hill Elementary	1949	one	36,530	10.0	13	337
<u>Secondary Schools</u>						
East Jr. High	1991	one	190,000	90.0	75	1,140
West Jr. High	1969	one	210,000	80.0	75	1,415
Central High School	1958	one	260,000	36.3	65	1,242
Traverse City High School	1949	one	37,969	7.1	12	177
West Sr. High School	1997	two	240,000	100.0	65	1,506
Total Instructional			1,703,687	601.6	517	10,558
NON-INSTRUCTIONAL						
Boardman Administration Bldg.	1914	three	25,920	1.0		
Bus Garage	1971	one	19,200	-- 14.00		
Operations Building	1981	one	12,115			
Coast Guard Warehouse	1968	one	18,000	26.0		
Thirlby Field Misc. Buildings	1995		25,884	7.0		
Total Non-Instructional			101,119	48.0		

Source: Compiled by TCAPS Business Office

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Operational Information
School Building Information

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<u>Bertha Vos Elementary</u>										
Square feet	33,647	33,647	33,647	33,647	33,647	33,647	33,647	33,647	33,647	33,647
Capacity	325	325	325	325	325	325	325	325	325	325
Enrollment	266	243	245	230	214	252	278	277	297	295
<u>Blair Elementary</u>										
Square feet	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000
Capacity	350	350	350	350	350	350	350	350	350	350
Enrollment	344	347	356	302	290	299	310	287	365	345
<u>Central Grade Elementary</u>										
Square feet	143,550	143,550	143,550	143,550	143,550	143,550	143,550	143,550	143,550	143,550
Capacity	790	790	790	790	790	790	790	790	790	790
Enrollment	438	450	479	450	480	514	570	613	639	706
<u>Cherry Knoll Elementary</u>										
Square feet	44,952	44,952	44,952	44,952	44,952	44,952	44,952	44,952	44,952	44,952
Capacity	350	350	350	350	350	350	350	350	350	350
Enrollment	327	325	348	335	329	361	337	337	359	377
<u>Courtade Elementary</u>										
Square feet	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000
Capacity	350	350	350	350	350	350	350	350	350	350
Enrollment	313	313	304	271	252	310	305	276	298	302
<u>East Bay Elementary (in 02/03 became Traverse City High School)</u>										
Square feet	37,969	37,969	37,969	37,969	37,969					
Capacity	293	293	293	293	293					
Enrollment	283	307	294	289	230					
<u>Eastern Elementary</u>										
Square feet	34,226	34,226	34,226	34,226	34,226	34,226	34,226	34,226	34,226	34,226
Capacity	300	300	300	300	300	300	300	300	300	300
Enrollment	272	285	278	279	276	299	304	315	290	328
<u>Glenn Loomis Elementary</u>										
Square feet	46,537	46,537	46,537	46,537	46,537	46,537	46,537	46,537	46,537	46,537
Capacity	350	350	350	350	350	350	350	350	350	350
Enrollment	323	326	324	312	307	308	292	296	282	295
<u>Interlochen Elementary</u>										
Square feet	37,192	37,192	37,192	37,192	37,192	37,192	37,192	37,192	37,192	37,192
Capacity	425	425	425	425	425	425	425	425	425	425
Enrollment	359	358	336	316	315	327	306	305	320	316
<u>Long Lake Elementary</u>										
Square feet	38,648	38,648	38,648	38,648	38,648	38,648	38,648	38,648	38,648	38,648
Capacity	350	350	350	350	350	350	350	350	350	350
Enrollment	365	355	337	322	327	313	290	288	300	290
<u>Norris Elementary</u>										
Square feet	35,161	35,161	35,161	35,161	35,161	35,161	35,161	35,161	35,161	35,161
Capacity	325	325	325	325	325	325	325	325	325	325
Enrollment	330	354	333	304	307	265	236	212	229	274
<u>Oak Park Elementary</u>										
Square feet	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000
Capacity	275	275	275	275	275	275	275	275	275	275
Enrollment	227	217	180	187	202	232	213	215	205	0

NOTE: This schedule continues on the following page.

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Operational Information
School Building Information
Continued from previous page

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<u>Old Mission Elementary</u>										
Square feet	33,886	33,886	33,886	33,886	33,886	33,886	33,886	33,886	33,886	33,886
Capacity	300	300	300	300	300	300	300	300	300	300
Enrollment	283	264	262	253	233	231	240	231	205	208
<u>Sabin Elementary</u>										
Square feet	40,829	40,829	40,829	40,829	40,829	40,829	40,829	40,829	40,829	40,829
Capacity	350	350	350	350	350	350	350	350	0	0
Enrollment	306	316	304	297	251	260	198	189	0	0
<u>Silver Lake Elementary</u>										
Square feet	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000
Capacity	350	350	350	350	350	350	350	350	350	350
Enrollment	354	347	325	304	307	292	286	289	333	356
<u>Traverse Heights Elementary</u>										
Square feet	36,560	36,560	36,560	36,560	36,560	36,560	36,560	36,560	36,560	36,560
Capacity	400	400	400	400	400	400	400	400	400	400
Enrollment	258	260	275	253	266	249	233	231	226	250
<u>Westwoods Elementary</u>										
Square feet	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000
Capacity	450	450	450	450	450	450	450	450	450	450
Enrollment	345	354	381	392	392	394	400	410	412	399
<u>Willow Hill Elementary</u>										
Square feet	36,530	36,530	36,530	36,530	36,530	36,530	36,530	36,530	36,530	36,530
Capacity	350	350	350	350	350	350	350	350	350	350
Enrollment	351	350	324	305	300	310	301	320	331	337
<u>East Jr. High</u>										
Square feet	190,000	190,000	190,000	190,000	190,000	190,000	190,000	190,000	190,000	190,000
Capacity	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Enrollment	1,285	1,319	1,274	1,210	1,204	1,244	1,179	1,169	1,279	1,140
<u>West Jr. High</u>										
Square feet	210,000	210,000	210,000	210,000	210,000	210,000	210,000	210,000	210,000	210,000
Capacity	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600
Enrollment	1,502	1,445	1,461	1,450	1,465	1,493	1,507	1,497	1,391	1,415
<u>Central High School</u>										
Square feet	260,000	260,000	260,000	260,000	260,000	260,000	260,000	260,000	260,000	260,000
Capacity	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800
Enrollment	1,293	1,344	1,307	1,327	1,353	1,326	1,284	1,269	1,266	1,242
<u>Traverse City High School</u> (formerly East Bay Elementary)										
Square feet						37,969	37,969	37,969	37,969	37,969
Capacity						293	293	293	293	293
Enrollment						231	223	198	190	177
<u>West Sr. High School</u>										
Square feet	240,000	240,000	240,000	240,000	240,000	240,000	240,000	240,000	240,000	240,000
Capacity	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Enrollment	1,320	1,437	1,444	1,437	1,392	1,398	1,445	1,447	1,509	1,506

Source: Compiled by TCAPS Business Office

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Operating Statistics
2003-2007¹

Fiscal year	Expenses	Enrollment	Cost per pupil	Percentage change	Instructional employees	Pupil/instructional employee ratio
2002-2003	\$ 93,585,946	11,009	\$ 8,501	0.0%	644	17.0
2003-2004	94,237,804	10,929	8,623	1.4%	664	16.5
2004-2005	96,838,749	10,887	8,895	3.1%	667	16.3
2005-2006	100,086,106	10,804	9,264	4.1%	670	16.1
2006-2007	99,049,251	10,758	9,207	-0.6%	642	16.8

¹ This data provided by TCAPS Human Resource Department and is only available for the past five years.



Lamonte T. Lator
Bruce J. Dunn
Jeffrey C. Stevens
Linda I. Schirmer
Steven W. Scott
David M. Raeck
Robert E. Miller, Jr.
Steven B. Robbins
James E. Nyquist
James R. Dedyne

Timothy H. Adams
David B. Caldwell
Edward L. Williams, III
Timothy J. Orians
Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education
Traverse City Area Public Schools
Traverse City, Michigan

October 12, 2007

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Traverse City Area Public Schools as of and for the year ended June 30, 2007, which collectively comprise Traverse City Area Public Schools' basic financial statements and have issued our report thereon dated October 12, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Traverse City Area Public Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Traverse City Area Public Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Traverse City Area Public Schools' internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

October 12, 2007

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Traverse City Area Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Traverse City Area Public Schools in a separate letter dated October 12, 2007.

This report is intended solely for the information and use of the Board of Education, management, U.S. Department of Education and the Michigan Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Mamer, Costeniser & Ellis, P.C." The signature is written in a cursive, flowing style.

Certified Public Accountants



Lamonte T. Lator
Bruce J. Dunn
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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education
Traverse City Area Public Schools
Traverse City, Michigan

October 12, 2007

Compliance

We have audited the compliance of Traverse City Area Public Schools with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Traverse City Area Public Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs are the responsibility of Traverse City Area Public Schools' management. Our responsibility is to express an opinion on Traverse City Area Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Traverse City Area Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Traverse City Area Public Schools' compliance with those requirements.

In our opinion, Traverse City Area Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Traverse City Area Public Schools is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Traverse City Area Public Schools' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Traverse City Area Public Schools' internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Traverse City Area Public Schools' internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Mamer, Costeniser & Ellis, P.C." The signature is written in a cursive, flowing style.

Certified Public Accountants

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**TRAVERSE CITY AREA PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

Federal grantor/pass through grantor/program title	Pass-through grantor's number	Federal CFDA number	Approved award amount	Accrued (deferred) revenue at June 30, 2006	Adjustments and transfers	Current year receipts (cash basis)	Current year expenditures	Accrued (deferred) revenue at June 30, 2007
US Department of Agriculture:								
Child Nutrition Cluster								
Passed Through the Michigan Department of Education:								
Summer Food Service								
2005-2006		10.559	\$ 32,743	\$ 6,021	\$	\$ 6,021	\$	\$
2006-2007		10.559	31,717			25,865	31,717	5,852
			64,460	6,021		31,886	31,717	5,852
National School Breakfast Program:								
2005-2006	061970	10.553	185,551	10,532		10,532		
2006-2007	061970	10.553	208,093			197,986	208,093	10,107
			393,644	10,532		208,518	208,093	10,107
National School Lunch Program:								
2005-2006	061950/061960	10.555	1,015,155	38,222		38,222		
2005-2006 Snack	061980	10.555	9,135	373		373		
2006-2007	061950/061960	10.555	1,110,847			1,075,053	1,110,847	35,794
2006-2007 Snack	061980	10.555	7,851			7,538	7,851	313
			2,142,988	38,595		1,121,186	1,118,698	36,107
National School Lunch - Special Milk Program:								
2006-2007	061940	10.556	2,179			2,179	2,179	
Total Child Nutrition Cluster			2,603,271	55,148		1,363,769	1,360,687	52,066
Food Distribution:								
Entitlement Commodities 2006-2007	N/A	10.550	185,467			176,198	176,198	
Passed Through the Traverse Bay Area Intermediate School District:								
State Match Grant for Food Stamp Program:								
2006-2007	N/A	10.561	615			615	615	
TOTAL U.S. DEPARTMENT OF AGRICULTURE			2,789,353	55,148		1,540,582	1,537,500	52,066

The accompanying notes are an integral part of this schedule.

TRAVERSE CITY AREA PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal grantor/pass through grantor/program title	Pass-through grantor's number	Federal CFDA number	Approved award amount	Accrued (deferred) revenue at June 30, 2006	Adjustments and transfers	Current year receipts (cash basis)	Current year expenditures	Accrued (deferred) revenue at June 30, 2007
<u>U.S. Department of Education:</u>								
Direct Programs:								
Indian Education	B060A050803	84.060A	\$ 72,971	\$ 13,617	\$	\$ 13,617	\$	\$
Indian Education	S060A060803	84.060A	79,210			60,970	79,210	18,240
			152,181	13,617		74,587	79,210	18,240
Carol M. White Physical Education Grant	Q215F040875	84.215F	281,044	48,688		223,634	186,456	11,510
Carol M. White Physical Education Grant	Q215F040875-06	84.215F	283,989					
			565,033	48,688		223,634	186,456	11,510
Arts Model Development Grant	U351D030220-05	84.351D	261,207	40,107		151,026	111,107	188
Total Direct Programs			978,421	102,412		449,247	376,773	29,938
<u>Passed Through the Michigan Department of Education:</u>								
Title I	061530/0506	84.010	1,150,825	199,447		224,725	25,278	
Title I	051530/0506	84.010	142,577	142,577		142,577		
Title I	061530/0607	84.010	129,943				129,943	129,943
Title I	071530/0607	84.010	1,172,956			980,948	1,004,946	23,998
			2,596,301	342,024		1,348,250	1,160,167	153,941
Drug Free Schools & Communities	062860/0506	84.186	53,689	10,770		10,770		
Drug Free Schools & Communities	062860/0607	84.186	8,174			6,687	8,174	1,487
Drug Free Schools & Communities	072860/0607	84.186	42,583			21,578	35,054	13,476
			104,446	10,770		39,035	43,228	14,963

The accompanying notes are an integral part of this schedule.

TRAVERSE CITY AREA PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007
(Continued)

Federal grantor/pass through grantor/program title	Pass-through grantor's number	Federal CFDA number	Approved award amount	Accrued (deferred) revenue at June 30, 2006	Adjustments and transfers	Current year receipts (cash basis)	Current year expenditures	Accrued (deferred) revenue at June 30, 2007
<u>U.S. Department of Education (Continued):</u>								
Passed Through the Michigan Department of Education (Continued):								
Homeless Children & Youth	062320/0506	84.196	\$ 57,214	\$ 9,658	\$	\$	\$	\$
Homeless Children & Youth	052320/0506-C	84.196	15,377	5,124				
Homeless Children & Youth	062320/0607-C	84.196	4,814			4,814	4,814	
Homeless Children & Youth	072320/0607	84.196	69,656			55,982	63,271	7,289
			147,061	14,782		60,796	68,085	7,289
21st Century Community Learning Centers	062110/21st03024	84.287	480,000	137,030	(13,872)	150,902		
21st Century Community Learning Centers	072110/21st03024	84.287	480,000			398,703	472,763	74,060
			960,000	137,030	(13,872)	549,605	472,763	74,060
Title V Innovative Education Program Strategies	070250/0607	84.298	2,202			2,202	2,202	
Title II Part D Technology Literacy Challenge Grant	054290/0506	84.318	18,272	18,272		18,272		
Title II Part D Technology Literacy Challenge Grant	064290/0506	84.318	21,469	1,715		1,715		
Title II Part D Technology Literacy Challenge Grant	074290/0607	84.318	11,926			11,696	11,926	230
			51,667	19,987		31,683	11,926	230
Comprehensive School Reform Demonstration Program	051880/0506	84.332	120,100	22,611		66,699	44,088	

The accompanying notes are an integral part of this schedule.

TRAVERSE CITY AREA PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007
(Continued)

Federal grantor/pass through grantor/program title	Pass-through grantor's number	Federal CFDA number	Approved award amount	Accrued (deferred) revenue at June 30, 2006	Adjustments and transfers	Current year receipts (cash basis)	Current year expenditures	Accrued (deferred) revenue at June 30, 2007
U.S. Department of Education (Concluded):								
Passed Through the Michigan Department of Education (Concluded):								
Title II Improving Teacher Quality	050520/0506	84.367	\$ 31,252	\$ 31,252	\$	\$ 31,252	\$	\$
Title II Improving Teacher Quality	060520/0506	84.367	488,730	86,936		86,936		
Title II Improving Teacher Quality	060520-0607	84.367	8,490			8,490	8,490	
Title II Improving Teacher Quality	070520-0607	84.367	484,756			373,236	436,279	63,043
			1,013,228	118,188		499,914	444,769	63,043
Katrina FY 2006	064120-NONP	84.938C	30,000	21,900		30,000	8,100	
Katrina FY 2006	64120	84.938C	10,947	7,992		10,947	2,955	
			40,947	29,892		40,947	11,055	
Total Passed Through the Michigan Department of Education			5,035,952	695,284	(13,872)	2,639,131	2,258,283	313,526
Passed Through Traverse Bay Area Intermediate School District:								
Special Education Cluster:								
Transition Mini-Grant	070490 TS	84.027A	5,356			4,901	5,356	455
IDEA Grant	060450/0506	84.027A	13,392			13,304	13,392	88
			18,748			18,205	18,748	543
Title II Improving Teacher Quality	050510-02	84.367A	12,000			12,000	12,000	
Pre-School Incentives (PPI)	070460/0607	84.173A	76,487			76,487	76,487	
Total Passed Through Traverse Bay Area Intermediate School District			107,235			106,692	107,235	543
Passed Through Waverly Community Schools:								
Title III Limited English Proficient Grant	070580-0607	84.365	26,349			26,349	26,349	
Passed Through Marquette-Alger RESA:								
Personnel Development Mini-Grant	060470/1D33	84.027A	25,000	451		451		
TOTAL U.S. DEPARTMENT OF EDUCATION			6,172,957	798,147	(13,872)	3,221,870	2,768,640	344,007

The accompanying notes are an integral part of this schedule.

TRAVERSE CITY AREA PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007
(Concluded)

Federal grantor/pass through grantor/program title	Pass-through grantor's number	Federal CFDA number	Approved award amount	Accrued (deferred) revenue at June 30, 2006	Adjustments and transfers	Current year receipts (cash basis)	Current year expenditures	Accrued (deferred) revenue at June 30, 2007
<u>U.S. Department of Environmental Protection Agency:</u>								
Direct Programs:								
Clean School Bus USA	SB-83287601-0	66.036	\$ 140,365	\$ 74	\$	\$ 108,879	\$ 114,634	\$ 5,829
<u>U.S. Department of Health and Human Services:</u>								
Passed Through the MI Dept of Health and Human Services:								
Before & After School Child Care Program	BA-05-28001	93.558	214,303	44,589		86,264	41,675	
Before & After School Child Care Program	BA-05-28001-2	93.558	214,303			79,127	125,900	46,773
			428,606	44,589		165,391	167,575	46,773
Children's Trust Fund	CTFDS 06-28002 1	93.590	39,540	(892)		21	912	
Children's Trust Fund	CTFDS 06-28002 2	93.590	39,520			32,105	22,615	(9,490)
			79,060	(892)		32,126	23,527	(9,490)
Total Passed Through MI Dept of Health and Human Services			507,666	43,697		197,517	191,102	37,283
Passed Through the Traverse Bay Area Intermediate School District:								
Medicaid Transportation	N/A	93.778	5,517			5,517	5,517	
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			513,183	43,697		203,034	196,619	37,283
<u>Corporation for National and Community Service:</u>								
Passed Through the MI Dept of Health and Human Services:								
Learn and Serve	MCSC/SBLS/F-157/07	94.004	8,000			4,801	7,846	3,045
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 9,623,858	\$ 897,066	\$ (13,872)	\$ 5,079,166	\$ 4,625,239	\$ 442,230

The accompanying notes are an integral part of this schedule.

**TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

NOTES:

1. Basis of presentation - The accompanying schedule of expenditures of federal awards includes the grant activity of Traverse City Area Public Schools and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133 and reconciles with the amounts presented in the preparation of the financial statements.
2. Title I, CFDA #84.010, and the 21st Century Community Learning Centers Grant, CFDA # 84.287 were audited as major programs.
3. The threshold for distinguishing Type A and Type B programs was \$300,000.
4. Management has utilized the Grant Section Auditor's Report (Form R7120) and the Grant Audit Report in preparing the Schedule of Expenditures of Federal Awards.
5. Federal expenditures are reported as revenue in the following funds in the financial statements:

General fund	\$ 2,424,489
Other nonmajor governmental funds (special revenue fund)	2,214,622
Adjustment - expenditures recorded for financial reporting previously recorded for grant recording	<u>(13,872)</u>
Total financial assistance	<u><u>\$ 4,625,239</u></u>

6. Program clusters contained within the schedule are as follows:

Child Nutrition Cluster consists of CFDA #10.553, #10.555, #10.556 and #10.559.

Special Education Cluster consists of CFDA #84.027, #84.173 and #84.367.
7. During the year, Traverse City Area Public School passed through \$92,919, \$93,250, and \$92,902 of 21st Century Community Learning Center money, CFDA #84.287, to Buckley Community Schools, Kingsley Area Schools, and Northport Community Schools, respectively. In addition, \$7,941 of Katrina relief money, CFDA #84.938C was passed through to Interlochen Arts Academy.

**TRAVERSE CITY AREA PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditors' report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133?

_____ Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I
84.287	21st Century Community Learning Centers

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

 X Yes _____

Section II - Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

**TRAVERSE CITY AREA PUBLIC SCHOOLS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDING JUNE 30, 2007**

There were no audit findings in either of the prior two years.

VISION

In partnership with a caring community,
Traverse City Area Public Schools
will prepare every student with the knowledge
and strategies for a lifetime of successful learning
and responsible global citizenship.

MISSION

The mission of Traverse City Area Public Schools
is to ensure successful academic achievement
for all students.

GOALS

1. All students will demonstrate increased achievement annually in the core content areas of language arts, math, science, and social studies.
2. Traverse City Area Public Schools' staff will improve communications to involve students, staff, parents, and community in support of student achievement.
3. The District will responsibly manage its resources.



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October 12, 2007

To the Board of Education
Traverse City Area Public Schools
Traverse City, Michigan

In planning and performing our audit of the financial statements of Traverse City Area Public Schools as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Traverse City Area Public School's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated October 12, 2007 on the financial statements of Traverse City Area Public Schools. Our comments are summarized as follows:

New Notification Requirements for Related Not-for-Profit Organizations with Gross Receipts of \$25,000 or less Such as Booster Groups and PTO's

The Pension Protection Act of 2006 requires these organizations to file an annual electronic notice for tax periods beginning after December 31, 2006, if these organizations are not required to file Form 990 (or 990-EZ), Return of Organization Exempt From Income Tax because their gross receipts are normally \$25,000 or less.

If they are a section 509(a)(3) supporting organization, generally, they must file a paper or electronic Form 990 (or Form 990-EZ) even if their gross receipts are normally \$25,000 or less. However, if they are a supporting organization of a religious organization and their gross receipts are normally \$5,000 or less they may file an annual electronic notice instead of Form 990 (or Form 990-EZ).

The annual electronic notice is due by the 15th day of the fifth month after the close of their tax period. For example, if their tax period ends on December 31, 2007, the annual electronic notice is due May 15, 2008.

The notice will require these organizations to provide the following information:

- Organization's legal name,
- Any other names your organization uses,
- Organization's mailing address,
- Organization's website address (if applicable),
- Organization's employer identification number (EIN),
- Name and address of a principal officer of your organization.
- Organization's annual tax period,
- Verify that your organization's annual gross receipts are still normally \$25,000 or less, and
- Indicate if your organization has terminated (is no longer in business).

IRS 403(b) Final Regulations

Intent

The intent of the regulations is to consolidate guidance on §403(b) plans issued since 1964.

Effective Date

These regulations are generally effective for taxable years beginning after December 31, 2008.

Plan documents should be in place December 31, 2008 to be implemented as of January 1, 2009.

Written Plan Document

The IRS is working on a model plan document and guidance for school districts. This should contain the provisions necessary for compliance with the new rules.

A plan may consist of several documents, or make reference to other documents, such as annuity contracts and custodial agreements. The employer must ensure that there are no conflicts or inconsistencies between the documents.

The document must contain eligibility rules, benefits available, limitations, allowable vendors, and time and form distributions.

The document must allocate administrative and compliance responsibilities to the employer and/or designated third parties. The plan may not allocate compliance responsibilities to the participants.

Other Provisions

- Exchange of investment products
- Universal availability
- Distributions
- Terminations

Suggestions

Set up a committee of benefit officials and participants to review the current plan and design the future plan.

Determine if you need a third party administrator (TPA) to administer the plan and create a request for proposal (RFP) for services.

Offer employee education. The IRS is developing this type of information as well as a model plan for school districts.

New Auditing Standards

Recently, 10 new auditing standards have been released and are effective, or will become effective for your June 30, 2008 year end. In reviewing the new standards, they will have an impact on our overall audit approach. The trend is to perform audit procedures utilizing more of a risk based approach. One area which will continue to be emphasized is your internal controls.

New Interpretation Of Deferred Compensation Rules Applicable To Teachers And Similar Employees

In August of 2007, the IRS issued new questions and answers related to deferred compensation which can effect teachers and similar employees.

When employees can elect to defer part of their compensation to a future year, they are generally subject to the rules applicable to deferred compensation under the Internal Revenue Code. These payments could be subject to an additional 20% tax if the specified procedures are not followed. For example, school employees who work 10 months but are paid over 12 months would be deferring compensation into a future year.

These rules are not applicable unless an election must be made. If a school district provides that all employees must spread their pay over 12 months, these rules do not apply.

In order to avoid imposition of extra taxes, the employees must give a written or electronic election to notify the employer that they want to spread out the compensation. This election must be provided before the start of the school year and must be irrevocable. The election must state how the compensation is going to be paid (for example, ratably over the 12 months starting with the beginning of the school year). This election does not need to be made for future years if the arrangement provides that the election will remain in place until the employee elects a change. These rules are effective January 1, 2008. Therefore, they are not applicable until the election for the 2008 - 2009 school year.

We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations.

This report is intended solely for the information and use of Traverse City Area Public Schools, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Mary Costeniser, E. Ellis, P.C.



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Floyd L. Costerisan
Leon A. Ellis (1933-1988)

October 12, 2007

To the Finance Committee
Traverse City Area Public Schools
Traverse City, Michigan

We have audited the financial statements of Traverse City Area Public Schools for the year ended June 30, 2007, and have issued our report thereon dated October 12, 2007. Professional standards require that we provide you with the following information related to our audit.

1. Our Responsibility under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter dated February 15, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Traverse City Area Public Schools. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether Traverse City Area Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of law, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Traverse City Area Public School's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major programs for the purpose of expressing an opinion on Traverse City Area Public School's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Traverse City Area Public School's compliance with those requirements.

2. Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Traverse City Area Public Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007. We noted no transactions entered into by Traverse City Area Public Schools during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

3. Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the liability of the payout of employee compensated absences upon their retirement is based on expected payout. We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

4. Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the school district's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the school district, either individually or in the aggregate, indicate matters that could have a significant effect on the school district's financial reporting process. Management has approved all adjustments.

5. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

6. Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the school district's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

8. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the finance committee, board of directors, and management of Traverse City Area Public Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Mayer, Costeniser & Ellis, P.C.